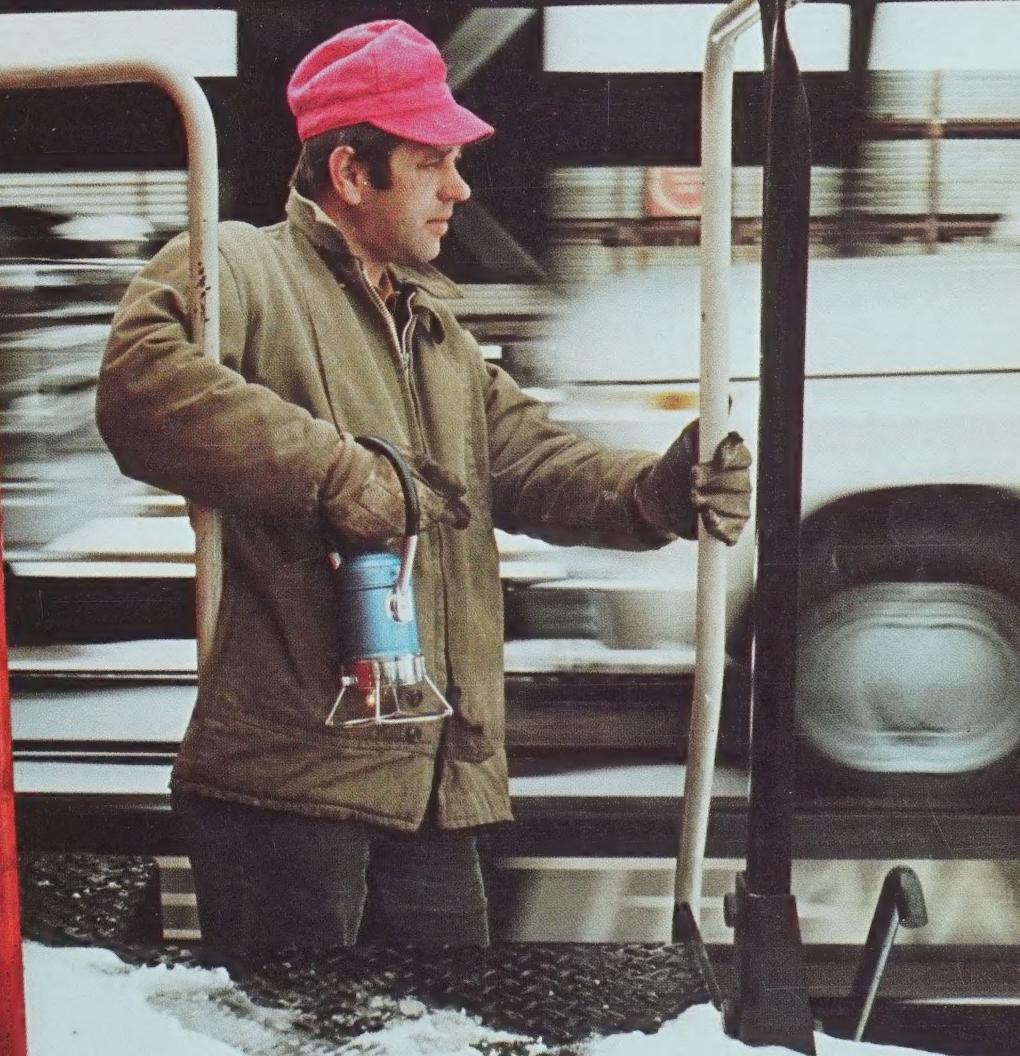


AR38

CANADIAN NATIONAL
RAILWAYS

Annual Report 1976



A
**Profitable
Year**

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CN Earns Profit While Serving Canada



To the Honourable
The Minister of Transport
Ottawa, Ontario

Dear Mr. Minister:

The Board of Directors submits hereunder the Annual Report of Canadian National Railways for 1976.

CN is pleased to be able to report its first overall surplus in 20 years. This was achieved during a difficult period, with unsettled economic conditions externally adding to the problems of an internal reorganization into six profit-oriented operating divisions. The men and women who make up CN have responded admirably to the demands made upon them. The Board of Directors acknowledges this effort and thanks everyone responsible for the significant accomplishments and progress made.

Yours sincerely,

Pierre Taschereau

Pierre Taschereau, Q.C.
Chairman

R.A. Bandeen

R.A. Bandeen, Ph. D.
President & Chief Executive Officer

March 31, 1977

Canadian National earned its first overall profit in 20 years in 1976, exceeding its budgeted breakeven position by a comfortable margin. The company reported a surplus of \$11.8 million at December 31, 1976, compared with a deficit of \$16.4 million the year before.

This result was obtained in the face of unsettled world and Canadian economic conditions. Stringent cost control, alert marketing and benefits from past technological advances all played a part.

Fulfilling mandate

While earning a profit in 1976, CN continued to fulfill its mandate of service to its owners — the people of Canada. In rail, intermodal, express and truck transportation; in hotels, real estate, consulting and a variety of other activities, CN served the nation. Its efforts were aided by a more effective organizational structure — composed of six semi-autonomous, profit-oriented divisions supported by a corporate staff — which brought a new degree of flexibility to meet changing market and financial conditions. The divisions are CN Rail; Grand Trunk Corporation; Telecommunications; Trucking and Express; Passenger, Hotels and Tower; CN Marine. The following pages tell the story of each profit centre's activities, status and outlook in 1976.



Pierre Taschereau, Q.C.



R. A. Bandeen, Ph.D.

Results by Profit Centres

This year's report reflects CN's new organizational structure and the table following was developed to show a comparison between 1976 and 1975 results on a profit centre basis.

~~156.4
160.1
H217.8~~

Canadian National Railway System

Statement of Income and Surplus - Division Basis

	Year ended December 31	
	1976	1975
	(in millions)	
Income (Loss) from:		
CN Rail	\$157.1	\$ 23.2
Grand Trunk Corporation	13.9	3.5
CN Telecommunications	20.1	22.8
CN Trucking	1.6	6.6
CN Express	(35.0)	(39.3)
CN Passenger	(50.6)	(70.9)
CN Hotels	(0.1)	3.6
CN Marine	—	—
Miscellaneous	<u>33.7</u>	<u>(4.2)</u>
Income (Loss) Before Interest on Debt	140.7	(54.7)
Interest Charges (Net)	<u>128.9</u>	<u>113.4</u>
Net Income (Loss) For the Year	11.8	(168.1)
	Payments under the Railway Act treated as a prior year adjustment upon introduction of payments on a current basis	
	<u>—</u>	<u>151.7</u>
Surplus (Deficit)	<u>\$ 11.8</u>	<u>\$(16.4)</u>

Note 1:

The above amounts are before elimination of interdivision transactions, which have been recorded primarily at market price and, in the case of rail services provided to CN Passenger by CN Rail, according to the formula used for determining costs for Government subsidy purposes.

Note 2:

Included in CN Rail and CN Passenger results are payments under the Railway Act covering losses, mainly branch line (1976 — \$60.7 million, 1975 — \$36.8 million) and passenger services (1976 — \$156.4 million, 1975 — \$118.0 million) respectively. Receipts of a similar nature, in respect of prior years, are included in Miscellaneous (1976 — \$38.1 million, 1975 — \$4.9 million).

The Financial Year

The principal reason for CN's surplus of \$11.8 million in 1976 was a significant increase in CN Rail's income. A 17.8% increase in operating revenues, brought about by rate increases and a 4% growth in traffic, aided the income improvement. But the major force behind CN Rail's financial performance was effective cost control.

Grand Trunk Corporation rail operations showed a 1976 income of \$13.9 million compared with only \$3.5 million in 1975. This good result came from a combination of traffic growth, rate increases, and cost control.

Show of confidence

Late in the year CN went for the first time to the European market for funds for capital expenditure. It raised \$85 million without a Canadian government guarantee, a fact that indicates confidence on the part of international investors in the commercial future of CN.

The long-term debt of the Company increased by \$167.3 million during the year. This, combined with an overall increase in interest rates, resulted in interest charges of \$128.9 million, \$15.5 million higher than in 1975.

Capital expenditures declined in almost all divisions of the Company. A comparative summary for 1976 and 1975 follows:

Capital Expenditures

	1976	1975
	(millions)	
CN Rail	\$318.0	\$348.2
Grand Trunk Corporation	15.3	11.3
CN		
Telecommunications	38.2	42.2
CN Trucking	4.0	7.1
CN Express	6.9	11.8
CN Passenger	6.8	—
CN Hotels	7.1	4.2
Miscellaneous	13.5	35.7
	409.8	460.5

Capital Value of Leased Assets

CN Rail	\$ 4.0	\$ 62.0
Grand Trunk Corporation	10.8	—
Total	<u>\$424.6</u>	<u>\$522.5</u>

CN Rail

Earnings Rise Sharply as Productivity Improves

CN Rail, the division broadly responsible for CN's Canadian railway freight activities, improved its earnings substantially in 1976 despite the sluggishness of the economic recovery in Canada. Income was \$157.1 million, compared with \$23.2 million in 1975. This result was achieved despite the fact that revenue from carload freight traffic, the mainstay of CN Rail, did not expand as much as expected.

There were rate increases during the year and traffic in revenue ton miles rose 4%. Productivity improvements also made an important contribution to the increase in earnings. A good measure of rail freight productivity is "gross train load", the weight of goods carried in each train. On this basis productivity was 5.1% better than in 1975 (See Chart, page 4).

Improvement in productivity came also from a successful campaign to control expenses. Manpower reductions were made in the operating, non-operating and administrative and management sectors, the two latter reflecting a continuation of an administrative expense control program begun in 1975. The drive for improved productivity stretched into every aspect of rail operations.

Top Efficiency Needed

CN Rail's cost reduction drive takes account of the constant need to keep the railway running at top efficiency by world standards — a must in view of Canada's geography and climate. Maintenance of way expenses, for example, increased by more than 12% last year partly because of an ongoing multi-year plant improvement program.

While control over expenses is important, it is only one element of productivity. In the long run it is more im-

portant for the Company to expand and diversify its business volume in a profitable way. This requires effective marketing. In 1976 CN introduced major marketing innovations in rail transport which contributed largely to improved financial results, including a 30% gain in revenues from intermodal services. Although it was a recession year in the competitive trucking industry, CN's piggyback revenues showed a large increase, reflecting the competitive strength of the intermodal concept.

CN Rail's immediate goal is to improve its return on investment. This means obtaining and retaining a greater share of profitable transportation markets in coming years. While seeking new business, CN must strive to handle it still more efficiently. Emphasis on train service design and locomotive and car utilization offers prospects for further productivity improvements. This is particularly important in view of the government policy of bringing Canadian fuel prices up to the international level, which foreshadows a heavy continuing cost burden for fuel.

CN Rail Highlights

	1976	1975
	(millions)	
Revenues	\$1,731.0	\$1,469.5
Expenses	1,573.9	1,446.3
Income	\$ 157.1	\$ 23.2



R. R. Latimer
Vice-President and
Senior Executive Officer, CN Rail

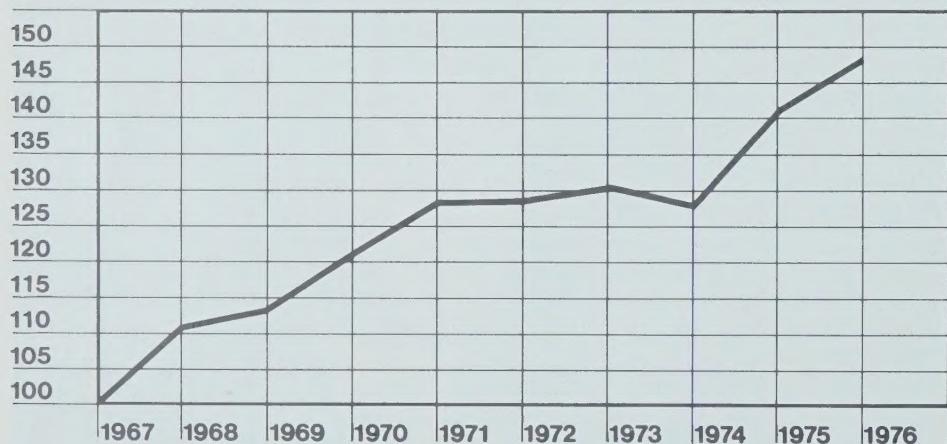
Distribution of Revenues		
	1976 (millions)	1975
Carload Services	\$1,250.1	\$1,068.8
Intermodal Services	164.0	126.2
Express Contract	34.2	38.0
Passenger Contract	208.7	186.6
Other	5.4	5.4
All Other	7.9	7.7
Government Payments	60.7	36.8
Total	\$1,731.0	\$1,469.5

Distribution of Expenses		
	1976 (millions)	1975
Transportation	\$ 453.1	\$ 418.3
Equipment	305.6	289.5
Engineering	217.7	194.0
Total Operations	976.4	901.8
Other Expenses	514.6	468.5
Charges from Other Divisions	82.9	76.0
Total	\$1,573.9	\$1,446.3

As another important objective, CN Rail will seek full compensation for providing services, such as grain carriage under the Crowsnest Pass rates, in which the cost to the railway of ful-

filling national policies results in a financial loss. The report of the Snavely Commission on the cost to the railways of carrying grain, and the work of the Hall Commission which is studying the

Gross Train Load



whole grain distribution system, give hope for a positive solution to this long-standing problem.

Quick Facts

Improvement in CN Rail income resulted mainly from increased carload and intermodal revenues and the containment of railway operating expenses. There was a volume increase of 4% in terms of revenue ton miles, which provided additional revenues of about \$60 million. Rate increases provided approximately \$160 million. If the inflationary effect of wage, material and fuel increases is removed, the increase in expenses was 1.8% as compared with the 4% volume increase.

The improved financial performance is reflected in the operating ratio which decreased from 98.4 in 1975 to 90.9 in 1976.

Operating revenues for 1976 amounted to \$1,731 million, an improvement of \$261.5 million, or 17.8% over 1975.

Government payments of \$60.7 million were \$23.9 million higher than the 1975 amount of \$36.8 million. This CN Rail revenue represents a recovery of losses incurred in operating and maintaining subsidized branch lines as well as the "At and East" grain subsidy.

Reducing accidents

The improvement in the accident rate in 1975 continued into 1976 with a reduction of 24% in the number of train and yard accidents and reduction of 12% in the number of disabling injuries. Track train dynamics workshops were presented to operating officers to make them conscious of operating changes. Their continued efforts to have train crews observe operating rules, and the continued training of existing and new train crews, were largely responsible for the improvement. Target setting for reductions in accidents and injuries heightened awareness among employees. Other contributing factors were improved levels of maintenance as well as safety audits performed in areas where accidents and injuries are high.

US Operations Profitable

The Grand Trunk Corporation, Canadian National's subsidiary in the United States, earned income of \$13.9 million in the face of difficult market conditions. The subsidiary is itself composed of three operating subsidiaries; The Grand Trunk Western Railroad Company, the Central Vermont Railway Inc. and the Duluth, Winnipeg and Pacific Railway Company.

Productive Expenses

The Grand Trunk Western's income in 1976 was \$1.8 million over budget even though costs exceeded the budget by nearly 8%. The extra expenses resulted mainly from additional traffic and the acquisition of new properties which added to maintenance and payroll costs. Such expenses can be described as "productive" in nature.

Grand Trunk Corporation Highlights

	1976	1975
	(millions)	
Revenues	\$187.3	\$145.9
Expenses	177.0	144.7
Operating Income	10.3	1.2
Other	3.6	2.3
Income	\$ 13.9	\$ 3.5

Net Income Lag

Central Vermont's income was \$100,000 lower than anticipated in its budget. About half of the revenue from this 381-mile line in the New England States and Southern Quebec comes from newsprint and agricultural products. The prolonged newsprint strike in Canada thus had a serious adverse effect on traffic in the first quarter of the year.

Throughout the year CV exercised effective control over its costs. Savings in operating expenses offset roughly two-thirds of the shortfall in revenues from lower traffic.

Business Good

Business was basically good for the Duluth, Winnipeg and Pacific in 1976; potash and lumber traffic consistently exceeded predicted levels. Revenues were over budget by 13%. DWP operates 167 miles of road from Duluth, Minn. to the Canadian border, serving to connect CN lines in Western Canada with the rail system of the U.S. Midwest.

Profit through Efficiency

Like the rest of the CN System, the Grand Trunk Corporation is seeking to improve its profitability through greater efficiency. Freight rate increases on its lines probably will not be sufficient to offset inflationary material and wage cost increases in the immediate future. GTC's five-year plan calls for increased carloadings, personnel reductions and general improvements in efficiency to overcome rising expenses. Rising volume and productivity gains are expected to maintain net income at about the existing level for the next five years.



J. H. Burdakin
President, Grand Trunk Corporation
Detroit

Telecommunications Speeds up the pace

The lagging national economy affected the profitability of CN Telecommunications in 1976. Earnings were at a level 11.8% below those of the preceding year. While gross revenues increased 5.7% to \$125.1 million, income was \$20.1 million compared with \$22.8 million in 1975.

CN Telecommunications Highlights

	1976	1975
	(millions)	
Revenues	\$125.1	\$118.3
Expenses	105.6	96.3
Operating Income	19.5	22.0
Other	0.6	0.8
Income	\$ 20.1	\$ 22.8

CN Telecommunications provides telephone services in Newfoundland and Northern Canada, acts in association with Canadian Pacific Telecommunications as a telegram company and a common carrier of data and record communications and supplies communications services to CN. CNCP have the largest share of the highly competitive business communications market in Canada. Slow general business activity was primarily responsible for the division's somewhat disappointing financial results during the year, with inflation also playing its part.

Swift changes

It was, nonetheless, a year of progress for CN Telecommunications. The division more than kept pace with its partner and competitors, maintaining for Canada a place alongside the most advanced nations in communications. No industry is changing more swiftly or extensively; for example the telegram, once a standard method of communications, seems to be on the way out.

The use of telegrams fell again in 1976. CN Telecommunications, in cooperation with CP Telecommunications and the federal Department of Communications, is now studying the needs of remaining telegram users and the extent of their dependence on the service.



A. J. Kuhn
*General Manager, Telecommunications
Toronto*

During the year CNT joined with CPT and AGRA Industries Ltd. in a proposal to form a consortium which would supply a nation-wide signal transportation system for pay TV. In data communications CNCP offered a new series of terminals including software-controlled "intelligent" data-collating units.

Legal Environment Changes

As CNT's system changed in 1976, so did the legal environment in which it operates. The Canadian Radio-television and Telecommunications Commission took over responsibility for telecommunications regulation from the Canadian Transport Commission. The CRTC proposes to hold hearings to consider changes in regulatory practices and procedures. Meanwhile, the Department of Communications has been developing a new national telecommunications policy which, it is hoped, will set out fair competitive ground rules for supplying data telecommunications services. The new policy may be made public in the coming year.

Trucking Shows Lower Operating Profit

CN's trucking operations showed an operating profit in 1976 although the profit was lower than in 1975.

The Trucking division is made up of 13 separate companies which account for about 3.6% of the Canadian truck transportation market. The division has 2,000 employees and about 3,500 pieces of equipment providing general freight service nationwide. Some of its subsidiaries also engage in transporting containers and bulk commodities.

CN Trucking Highlights		
	1976	1975
	(millions)	
Revenues	\$73.6	\$68.9
Expenses	72.6	65.0
Operating Income	1.0	3.9
Other	0.6	2.7
Income	\$ 1.6	\$ 6.6

CN's trucking operations are heavily dependent on general economic activi-

ty, which failed to grow as much as expected in 1976, making the revenue target for the year unattainable. Operating income was \$1 million, down from \$3.9 million in 1975. Higher fuel costs and wage agreements implemented prior to the introduction of anti-inflation guidelines swelled expenses. These rising costs were only partially covered by rate increases during the year. A \$2.1 million reduction in other income was largely a result of real estate sales in 1975.

Continuing productivity and cost control programs, and a hard look at the future of unprofitable units and services figure largely in CN Trucking's plans. At the same time, it is hoped that the regulatory environment in which the division must operate will improve as a result of current examination by federal and provincial authorities of the truck transport industry. A more uniform and stable climate for trucking in Canada could result from these studies in which the industry is cooperating.



Y. H. Masse
*Vice-President,
Trucking and Express (1976)*

CN Express Traffic off But \$ Results Improve

CN Express was organized as a profit centre in 1976. Its primary purpose is to provide commercial services for the movement of non-carload shipments — domestic, foreign, and air express, the latter in cooperation with Air Canada. Those services are provided at major and secondary terminals throughout Canada, using a fully integrated rail/highway transportation network; for this purpose, rail service is purchased from CN Rail at published tariff rates. A second purpose is to provide terminal, highway, and automotive maintenance services to other divisions within the CN System at commercially competitive rates.

The overall result was \$4.3 million better than 1975, reflecting continuing improvement in efficiency. An expense reduction program countered most of the cost increases for labour and materials and total expenses were lower than in 1975.

increases during the year but the effect, even when combined with increased productivity, was not enough to offset the decline in volume of business.

CN Express Highlights

	1976	1975
	(millions)	
Revenues	\$152.6	\$150.4
Expenses	187.6	189.7
Income (Loss)	<u>\$ (35.0)</u>	<u>\$ (39.3)</u>

In an effort to eliminate the loss, CN Express management has embarked on a selective marketing program aimed at increasing traffic in profitable high-density areas, adjusting prices to make optimum use of capacity and curtailing activities that contribute to the loss and cannot be made profitable.



There was, however, a decline in both the number and size of shipments handled during the year and CN Express had a loss before interest charges of \$35 million.

Heavy competition

Because business was scarce, competition was heavy. There were some rate

Operationally, it is intended to continue to reduce costs and improve productivity. Chronically unprofitable services will be withdrawn or reduced. Productivity benefits should flow from continued conversion to highway and trailer-on-flatcar operations. Plans are afoot to reduce the number of terminals through consolidation and to improve equipment utilization.

Passenger Service Changes

CN Passenger Services were formally organized into a profit centre on September 30, 1976 as part of the Company's drive to improve overall management accountability and efficiency. The division provided intercity rail passenger service from coast to coast and the Roadcruiser service in Newfoundland. The trains were operated by CN Rail on behalf of Passenger Services.

Passenger services revenues were \$77.1 million, an increase of 5.9% over 1975. Expenses of \$284.1 million were up 8.6%. Government payments to cover losses totalled \$156.4 million, leaving a loss of \$50.6 million. There was a dramatic increase in volume of business in the Québec City-Windsor corridor, offset to some degree by a general decline in long-distance passenger traffic. There was an overall increase of 8.3% in revenue rail passengers carried in 1976.

CN Passenger Highlights

	1976	1975
	(millions)	
Revenues		
Commercial	\$ 77.1	\$ 72.8
Expenses	<u>284.1</u>	<u>261.7</u>
Operating Income (Loss)	<u>\$ (207.0)</u>	<u>\$ (188.9)</u>
Government Payments	156.4	118.0
Income (Loss)	<u>\$ (50.6)</u>	<u>\$ (70.9)</u>

Important things were happening to the rail passenger business in 1976. In preparation for the advent of VIA — a single agency set up by Transport Canada to manage and market rail passenger services in Canada — joint studies were launched by the major railways and Transport Canada on the introduction of new high-speed trains. An advanced passenger train specification was developed and tenders for the equipment invited and received. In the meantime CN made extensive service changes to prepare for the new approach to the running of passenger trains in Canada.

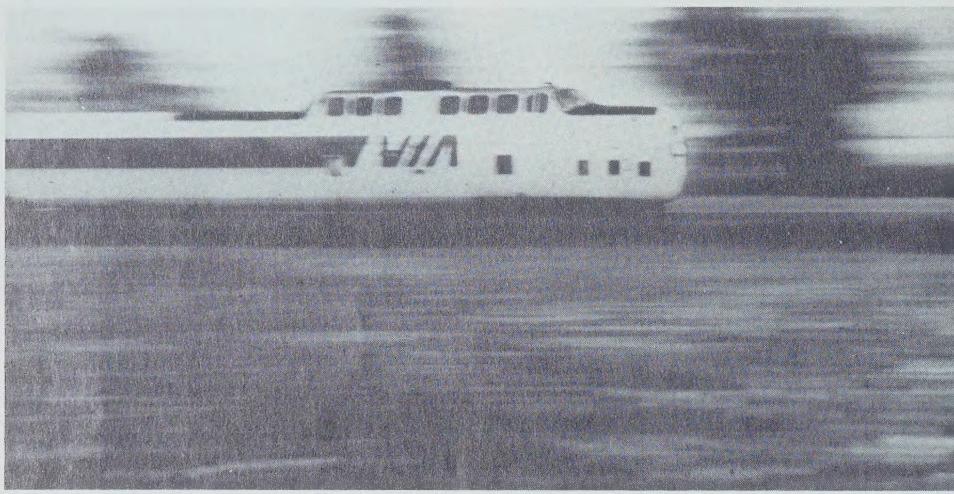
The VIA look

Among the more visible changes was the introduction of a blue-and-gold VIA design scheme for passenger train services. Accompanied by some new fare plans, the change was well received by the public. An increase in patronage was evident as the year progressed.

Late in the year CP Rail became formally associated with VIA through the publication of a joint CN-CP timetable. Studies by the two railways of joint management for passenger services progressed and the railways were ready at year end for the setting up of the VIA organization under which the rail-

ways will operate the passenger trains on behalf of the new company on a fee basis.

The advent of the new entity responsible for the non-operational aspects of passenger services should eventually relieve CN of the unsubsidized portion (20%) of its current losses on passenger services. Meanwhile CN continued during the year to cooperate in other efforts to rationalize the national rail passenger system. Company action included presentations to Canadian Transport Commission hearings on transcontinental and regional services. Decisions on these services were being awaited at the year end.



Hotels A Bad Year

CN has just under 4,000 rooms in nine hotels across Canada, and not enough of the rooms were occupied often enough in 1976 to produce a profit for CN Hotels.

In a year of bad business for the hotel industry generally, CN Hotels had a loss, before interest on investment, of \$0.1 million. This compares with a profit of \$3.6 million in 1975. The major factors involved were a general decline in demand for hotel accommodation, strong competition in several of the cities in which CN Hotels operates, fewer U.S. visitors and conventions and a later-than-planned opening of the CN Tower restaurants, operated under lease by CN Hotels.

CN Hotels' operating plan had anticipated a somewhat stronger national economy and a small growth over 1975 at all the CN-operated hotels, with a considerable improvement expected from Jasper Park Lodge and additional profits expected from CN Tower restaurant operations. Only Jasper Park Lodge attained and improved on its budget.

Hilton Contribution Down

None of the operations managed for CN by Hilton (Canada) Limited reached the forecast level of profitability. Hilton's return to CN was \$0.5 million, a substantial decrease from 1975. Of the Hilton operations, Hotel Vancouver had a loss of about \$0.7 million; the Queen Elizabeth Hotel and Place Ville-Marie bar/restaurant complex in Montreal returned a much-reduced profit of \$1.2 million.

CN Hotels Highlights

	1976	1975
	(millions)	
CN Operated		
Revenues	\$36.2	\$31.2
Expenses	35.8	29.5
Income	0.4	1.7
Hilton Operated		
Revenues	47.8	46.8
Expenses	47.3	44.0
Income	0.5	2.8
Total Hotel and Restaurant Operating Income	0.9	4.5
Divisional Expense	1.0	0.9
Total Income (Loss)	<u>\$ (0.1)</u>	<u>\$ 3.6</u>



George Lach
Vice-President,
Passenger Services and Hotels

Tower In Business

The one-millionth visitor to the 1,815-foot-high CN Tower in Toronto passed through the turnstiles on December 30, 1976, a little more than six months after it opened to the public. This tallest free-standing structure in the world is very much a business venture. Its main function is the transmission of telecommunications signals at a profit to its owners. To obtain additional revenue the tower operates three observation decks, a 400-seat revolving restaurant operated by CN Hotels under lease, boutiques and other attractions. Operating income for the year was \$1.3 million. This should increase in 1977, since that will be the first full year of operation.

Marine

Running a Tight Ship

Last year CN Marine evolved from an administrative and operating unit, responsible for most federally-funded marine services in Atlantic Canada, into a separate business entity within the CN System. At the same time, discussions started between CN and Transport Canada on the establishment of financial and service guidelines for CN Marine that could make the division responsible for capital planning and the acquisition of ships and

other facilities for the operation of the Newfoundland ferry and coastal services, the P.E.I. ferries and other East Coast marine services.

During the year, improvements were made in most services, particularly for Newfoundland coastal communities and along the Labrador coast. Responsibility for the Saint John-Digby service was turned over to CN Marine from

Canadian Pacific on September 1, and winter service between Yarmouth, N.S. and Portland, Maine was initiated on November 28.

Cost yardstick

Increased emphasis was placed on cost control. Reporting and inventory control systems were installed in various localities to aid management in monitoring expenses. A system of allocating costs to different types of service is under study. This should make available a yardstick for measuring the division's cost-effectiveness and serve as a pricing tool. These cost-control measures are an indication of CN Marine's intention to run a tight ship on a business-like basis.

CN Marine Highlights

	1976	1975
	(millions)	
Revenues	\$ 16.7	\$ 16.1
Government Subsidies	85.9	95.1
Total Income	102.6	111.2
Total Expenses	\$102.6	\$111.2

Operations

A full reservation system was introduced for service between Nova Scotia and Newfoundland and, with a view to improving relations with customers, the general public and employees, CN Marine last year began a process of regular consultation with these groups.

Despite some decline in the workload on coastal and ferry vessels, the total volume of work at the Newfoundland dockyard remained at a level comparable to the preceding year. The dockyard is looking increasingly for outside repair and refit work to complement its function of servicing the CN Marine fleet. Some expansion of the present facilities will be needed to provide the flexibility necessary for these tasks.

As traffic of all kinds continues to grow, CN Marine anticipates capital requirements of \$210 million for terminal development and new ships in the next five years. Most of this is for new vessels, both for replacement and for speedier passenger service.



J. Gratwick
Vice-President, CN Marine

Consulting CANAC's Attainments More than Financial

CANAC Consultants Ltd./Ltée is profitable to Canadian National in a number of ways. A wholly-owned international consulting subsidiary of CN, operated in conjunction with Air Canada, CANAC produced income of \$0.8 million in 1976. This represented the fifth year of steady financial growth.

But CANAC's story is one of more than just financial success. The intangible benefits that flow from putting Canadian expertise to work in other countries cannot be exaggerated. In 1976 CANAC carried out some 20 projects in 15 countries exposing Canadian transportation specialists to challenging problems in entirely new environments. About 300 CANAC specialists and family members went abroad in 1976 to help other countries improve their transportation systems. Meanwhile CANAC acted as host to about 20 people from developing countries who came to Canada for training which included on-the-job railroading experience as well as classroom work.

The World of CANAC

Canadian National organized an International Consulting Division in 1968 to coordinate its growing involvement in international consultancy projects. In 1971 the division joined with Air Canada in a venture to provide consulting services world-wide covering the whole spectrum of transportation — and so CANAC Consultants Ltd./Ltée was formed.

CANAC's services include: management contracts; market and economic surveys; route reconnaissance; location and construction supervision; operations and management studies; management and technical training and development; intermodal systems studies; motive power and rolling stock evaluation.

CANAC's approach is to deploy a small nucleus of highly-qualified marketing and administrative staff to sell the transportation expertise of CN and Air Canada. To date it has tackled projects on five continents in conditions ranging from tropical rain forest to sub-arctic tundra, and has covered all major aspects of surface and air transportation modes.

CANAC's overseas projects during the year were carried out for commercial

organizations, international lending banks such as the World Bank, and aid agencies such as the Canadian International Development Agency (CIDA). It did considerable market development in 1976, notably a proposal on behalf of the Canadian Consortium CANA-VEN Ltd., covering plans for a major railway construction project in Venezuela.

CANAC's 1976 activities abroad resulted in a number of important contacts and preliminary discussions which are expected to produce concrete results in due course. The division appears to have established a reputation in the field of international management and consulting which reflects favourably on CN, Air Canada and Canada itself.

Real Estate Earns Profit

The company's real estate activities continued to yield profitable results in 1976. Income from this source was \$6.4 million, 28% higher than in 1975.

In Winnipeg, progress was made towards redeveloping about 100 acres of downtown property at the confluence of the Red and Assiniboine rivers. CN is associated in this project with the Great-West Life Assurance Company.

In Montreal, some 30 acres of downtown land at the site of the old Bon-

venture Express Terminal will be released for redevelopment with the construction of a new terminal covering 225,000 sq. ft. on a 32-acre site in suburban Lachine. The new facility will serve CN customers as the hub of a network of efficient highway services extending throughout the provinces of Québec and Ontario. The relocation was made possible through an agreement with the City of Montreal which plans a low-cost housing project on the site of the old terminal.

In Sydney, N.S., a similar but smaller express terminal was built during the year.



Paul Blanchet
General Manager, Real Estate

New Headquarters Role

In 1976 Canadian National spent its first year as a multi-divisional corporation. Changes were made throughout the System as CN's new profit centres were organized along divisional lines.

Corporate Headquarters now performs two main functions. One is to set the overall policy and general objectives for CN and to co-ordinate the various activities of the Company accordingly. In this role, headquarters staff is responsible for such matters as communication with government on System affairs, preparation of briefs and presentations to government departments and regulatory bodies, legal advice and service in connection with the foregoing, financial and policy planning, and the accounting for business results. The other main Headquarters function is a service one. The support provided to the rest of the System includes the services of the Law Department, the



W. D. Piggott
*Corporate Vice-President,
Coordinator of CN's structural reorganization*

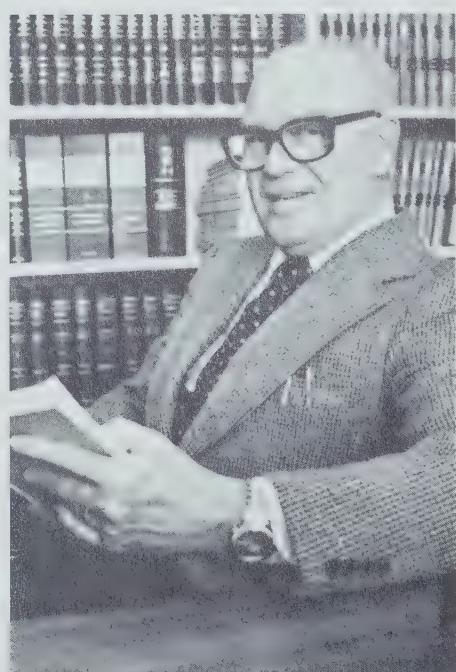
Secretary's Office, CN Police, Medical Department, Management Services, Costing and Economics Research, Public Relations and Advertising, the Corporate Comptroller and Industrial Relations and Organization.

A good example of Headquarters support services is the computer-based traffic reporting and control system (TRACS) provided by Management Services for CN Rail. TRACS enables managers across the System to monitor performance on a real-time basis and take prompt action to meet unexpected situations. During the year the system was expanded to include motive power control, over-the-road intermodal traffic and passenger trains.

Another example of the support to the System that emanates from Headquarters is corporate advertising. Every

week, millions of Canadian television viewers see the corporate advertisements based on the slogan, "At CN, keeping Canada on the go is a business as well as a responsibility." These are part of a campaign to explain to the public the advantage to them — CN's owners — of the company's commercial orientation. Other advertising campaigns during the year put increased emphasis on promoting freight traffic and making both present and potential customers more aware of the services available from CN Rail.

Included in CN's advertising and public relations efforts during the year was the redesign of passenger train colours and creation of the VIA passenger symbol. This was reinforced by intensive advertising which was at least partly responsible for persuading more people to ride trains.



J. M. Duncan
Corporate Vice-President

CN's People: Earnings and Benefits Increased

CN's workforce declined for the second straight year as increasing productivity enabled fewer people to accomplish more work and earn higher pay.

The number of employees in the System over the year averaged 80,073, down from 84,436 the previous year. The average annual wage per employee was \$15,545, compared with \$13,765 in 1975.

A two-year settlement with the Associated Railway Unions, effective January 1, 1976, was reached in June; the group represents close to 60,000 company employees. The wage increases agreed to — based on the recommendations of the conciliator, Mr. Justice Emmett Hall — were approved by the Anti-Inflation Board. A similar agreement was reached with 3,008 members of the Brotherhood of Locomotive Engineers, whose contract was altered to run concurrently with that of the Associated Railway Unions.

Training Agreement

Other collective agreements were signed with groups representing hotel, marine and police employees. Improved job security benefits for members of the Non-Operating and Shop Crafts unions were incorporated in an agreement with CN and Canadian Pacific in March. That same month an understanding was reached between the Railway Association of Canada, representing rail employers, and the Brotherhood of Maintenance of Way employees on a training program for track maintenance employees. The program promises improved maintenance and higher productivity, and negotiations toward implementing it have begun.

Women

More progress was made in 1976 on a program to assure equality and op-

portunity for women in CN's workforce. A series of one-day supervisory seminars was held in all Regions. The seminars are designed to change attitudes and develop modern concepts of the role of women as employees. The

Suggestions

CN's suggestion program continued to draw support and produce encouraging results. The total amount of suggestion awards paid in 1976 to cover 160 employee suggestions was \$44,845, and a total annual net savings to the company of more than \$150,000 is expected to result. The number of suggestions was down from 1975, but the average annual net savings and average award were both up.



Pensions

A total of 39,812 pensioners and beneficiaries under various CN pension arrangements received \$116.8 million in 1976. These benefits are exclusive of payments under the Canada (and Quebec) Pension Plans and those under the U.S. Railroad Retirement Act.

Effective January 1, 1976, pensioners who retired under the 1959 or 1935 Pension Plan on or before December 31, 1972, and widows or widowers of these pensioners, had their pensions escalated by flat rates ranging from \$7.00 to \$12.00 a month for pensioners and from \$3.50 to \$6.00 a month for survivors.

System pension costs in 1976 were \$143.2 million, compared with \$110.9 million in 1975.

The company cost of benefit plans providing health and life insurance was \$29.8 million in 1976, compared with \$28.7 million in 1975.

The Industrial Inquiry Commission set up by the federal minister of labour to look into railway pension plans submitted its report to the minister late in 1976, and the report was made public in January 1977.

The report showed that CN's overall pension plan compares well with pension plans in the civil service and other Crown Corporations and is among the best of those in the private sector. The report came out strongly in favour of the current practice whereby pension benefits are negotiable between the railway companies and the unions. Among other recommendations now being studied by all parties concerned were that trusteeship of both CN and CP pension plans be put in the hands of an independent trust company and that a "Heritage Fund", contributed to equally by both employees and employers be set up to provide full adjustment of past increases in the cost of living.

The Outlook Recognizing CN's Role

Canadian National can best serve the interests of the people of Canada if a clear distinction is maintained between those of its services which are expected to be profitable and those which must be operated on a non-profit basis as a matter of public policy. This will continue to be a guiding principle of CN management in the years ahead.

After the first year of profitable operation in 20 years, it is hoped that the Company will continue to improve its financial performance. Recognition of, and compensation for, losses on services provided in situations where public policy requires departure from the objective of commercial validity will greatly reinforce its efforts towards this goal.

Removing Constraints

The next year or two should see the resolution of many problems relating to the provision of non-commercial services. The Snavely Commission has already published its conclusions regarding the costs of transporting grain by rail. Government action to see that the railways receive subsidies to cover these losses fully would do much to ensure the continued financial health of CN.

The Hall Commission now looking at the prairie grain gathering and distribution system should be publishing its report early in 1977. It is hoped that its recommendations will lead to a more rational rail network in Western Canada.

It is hoped also that the commission which is being established to inquire into all aspects of transportation in Newfoundland, will produce practical recommendations leading to long-term solutions.

In the inter-city passenger transportation field CN and CP Rail were at year's end providing some joint services under VIA and were preparing for fuller integration as that organization develops. Collaboration of the

railways and Transport Canada in this area is an important step in the rationalization of rail passenger services in Canada. VIA should relieve the railways of the financial burden of railway passenger services which are not commercially viable while enabling them to provide good and adequate services where the need exists.

There is urgent need for rationalization of commuter services, particularly in the Montreal area. It is hoped that discussions now going on among the various parties and governments involved will result in action in this field also.

Efficiency Needed

Although the rate of inflation declined in 1976, wage and material cost increases may continue to be a problem for some time. Under these conditions, it will be necessary for CN to continue to reduce costs and increase productivity while making rate increases as required.

A role for CN as a profit-oriented business corporation is by no means incompatible with the acknowledged public service responsibilities of the Company. Indeed, business efficiency enhances CN's ability to supply any public service required of it fully and well and as economically as possible. Discussion of the "privatization" of CN is consistent with this principle. Having other stockholders besides the federal government could mean a reinforcement of the corporation's objective of operating along commercial lines.

There may be a feeling that a Crown Corporation like CN should be concerned with social responsibilities rather than profits. It would, however, be socially irresponsible for CN to provide services without any concern for their economic viability. It should not be up to the management of CN to decide on subsidy programs to assist certain regions, commodities, or loss-making services; such decisions should be in the hands of Parliament. CN should be able to concentrate on operating its services efficiently, receiving full compensation for any function performed as a public service and with incentives towards efficient and economical operation built into the subsidy system.

Companies included in the Consolidated Financial Statements of the Canadian National Railway System as at 31 December, 1976

Consolidated Companies

Autoport Limited
CANAC Consultants Limited
Canac Distribution Limited
The Canada and Gulf Terminal Railway Company
Canadian National Express Company
Canadian National Hotels (Moncton) Ltd.
Canadian National Land Settlement Association
Canadian National Railway Company
The Canadian National Railways Securities Trust
Canadian National Realties, Limited
Canadian National Steamship Company, Limited
Canadian National Telegraph Company
Canadian National Transfer Company
Canadian National Transportation, Limited
The Canadian Northern Quebec Railway Company
Canalog Logistics Limited
Canat Limited
**Canaven Limited
Central Vermont Railway, Inc.
Chalut Transport (1974) Inc.
Chapman Transport Limited
CN (France) S.A.
CN Tower Limited
**CN Tower Restaurants Ltd.
Cronin Transport Limited
Domestic Two Leasing Corporation
Domestic Three Leasing Corporation
Domestic Four Leasing Corporation
Duluth, Rainy Lake & Winnipeg Railway Company
Duluth, Winnipeg and Pacific Railroad Company
Duluth, Winnipeg and Pacific Railway Company
Eastern Transport Limited
Empire Freightways Limited
Grand Trunk Corporation
Grand Trunk Land Development Corporation
Grand Trunk-Milwaukee Car Ferry Company

Grand Trunk Radio Communications, Inc.
Grand Trunk Western Railroad Company
The Great North Western Telegraph Company of Canada
Hoar Transport Company Limited
Husband International Transport (Ontario) Limited
Husband Transport Limited
Husband Transport (Quebec) Limited
Midland Superior Express Limited
The Minnesota and Manitoba Railroad Company
The Minnesota and Ontario Bridge Company
Mount Royal Tunnel and Terminal Company, Limited
The Northern Consolidated Holding Company Limited
Provincial Tankers Limited
The Quebec and Lake St. John Railway Company
Royal Transportation Limited
Swan River-The Pas Transfer Ltd.
The Toronto-Peterborough Transport Company Limited

The Public Markets, Limited
The Shawinigan Falls Terminal Railway Company
Société du port ferroviaire Baie Comeau-Hauterive
Telesat Canada
The Toronto Terminals Railway Company
*Touram Limited
*Venturex Limited

Jointly Operated and Other Companies in Which the System has Investments

*Airline Maintenance Buildings Limited
The Belt Railway Company of Chicago
Chicago & Western Indiana Railroad Company
Computer Sciences Canada, Ltd.
The Detroit & Toledo Shore Line Railroad Company
Detroit Terminal Railroad Company
**East Yard Development Ltd.
Eurocanadian Shipholdings Limited
Halterm Limited
Intercast SA
*Matac Cargo Limited
Metro Centre Developments Limited
Northern Alberta Railways Company

*Owned on behalf of Air Canada
**Acquired in 1976

In addition, the property of the Canadian Government Railways is entrusted to the Canadian National Railway Company as part of the System.

Consolidated Financial Statements

Consolidated Balance Sheet

		December 31	
		1976	1975
		(in thousands)	
ASSETS			
Current Assets	Cash	\$ 12,062	\$ 23,306
	Accounts receivable	274,136	236,664
	Material and supplies	216,326	184,818
	Other current assets	87,000	97,558
		<u>589,524</u>	<u>542,346</u>
Insurance Fund		14,708	13,572
Investments		416,755	449,744
Property Investment		<u>3,312,362</u>	<u>3,887,526</u>
Other Assets and Deferred Charges	Unamortized discount on long-term debt	4,146	5,023
	Other assets	23,050	22,129
	Deferred charges	37,506	32,198
		<u>64,702</u>	<u>59,350</u>
		<u>\$4,398,051</u>	<u>\$4,952,538</u>
LIABILITIES			
Current Liabilities	Bank and other loans payable	\$ 119,500	\$ 161,264
	Accounts payable	221,617	214,195
	Accrued charges	150,767	127,520
	Other current liabilities	60,621	52,001
		<u>552,505</u>	<u>554,980</u>
Provision for Insurance		<u>14,708</u>	<u>13,572</u>
Other Liabilities and Deferred Credits		<u>91,323</u>	<u>83,911</u>
Long-Term Debt		<u>2,238,381</u>	<u>2,071,124</u>
Capital Stock of Subsidiary Companies Owned by Public		<u>4,345</u>	<u>4,345</u>
SHAREHOLDER'S EQUITY	6,000,000 shares of no par value capital stock of Canadian National Railway Company	359,963	359,963
	4% preferred stock of Canadian National Railway Company	1,504,478	1,436,246
	Capital investment of Government of Canada in Canadian Government Railways	428,397	428,397
	Reduction in recognition of depreciation attributable to years prior to the adoption of depreciation accounting	(807,813)	—
	Earned surplus — net income for the year	11,764	—
		<u>1,496,789</u>	<u>2,224,606</u>
		<u>\$4,398,051</u>	<u>\$4,952,538</u>

S. D. H. Thomas,
Corporate Comptroller.
February 25, 1977.

Consolidated Statement of Income and Surplus

	Year ended December 31	
	1976	1975
	(in thousands)	
Revenues	\$2,454,501	\$2,081,100
Expenses	<u>2,322,459</u>	<u>2,138,401</u>
Operating Income (Loss)	132,042	(57,301)
Other Income	<u>8,680</u>	<u>2,610</u>
Income (Loss) Before Interest on Debt	<u>140,722</u>	<u>(54,691)</u>
Interest		
Interest on long-term debt, less interest received on loans to Air Canada	120,809	96,483
Net interest on short-term financing	<u>8,149</u>	<u>16,942</u>
	<u>128,958</u>	<u>113,425</u>
Net Income (Loss) For The Year	11,764	(168,116)
Payments under the Railway Act treated as a prior year adjustment upon introduction of payments on a current basis	<u>—</u>	<u>151,748</u>
Surplus (Deficit)	<u>\$ 11,764</u>	<u>\$ (16,368)</u>

Consolidated Statement Of Changes In Financial Position

		Year ended December 31	
		1976	1975
		(in thousands)	
	Deficiency of Working Capital, Beginning of Year	<u>\$ (12,634)</u>	<u>\$ (5,455)</u>
Funds Provided			
	Net income (loss) for the year	11,764	(168,116)
	Add/(deduct) items not involving the current provision or use of funds		
	— depreciation	154,526	146,902
	— equity in net (income) loss of companies accounted for by equity method, less dividends received	(48)	3,158
	— other	<u>(2,198)</u>	<u>563</u>
	Funds from (used in) operations	164,044	(17,493)
	Payments under the Railway Act treated as a prior year adjustment upon introduction of payments on a current basis	—	151,748
	Sale of 4% preferred stock	68,232	62,056
	Government of Canada in respect of deficit	—	16,368
	Government of Canada loans		
	— as authorized by CNR Financing and Guarantee Acts of 1941 and 1942, for purchase of unmatured securities of the Company as required by conditions of their issue	7,134	8,013
	— as authorized by CNR Refunding Act, 1955, for payment of outstanding securities of the Company at maturity	—	6,000
	— for capital expenditures	—	135,000
	Issuance of CNR Bonds	83,232	—
	Repayments of advances by Air Canada	33,343	—
	Long-term financing for purchase of rolling stock	130,184	50,541
	Sale of rolling stock purchased in prior year and leased back in current year	5,001	34,857
	Retained proceeds from properties retired	<u>23,394</u>	<u>21,530</u>
	Total Funds Provided	<u>514,564</u>	<u>468,620</u>
Funds Used			
	Additions to property investment	411,476	444,376
	Investments in jointly-operated and other companies	142	12,167
	Reduction of long-term debt	<u>53,293</u>	<u>19,256</u>
	Total Funds Used	<u>464,911</u>	<u>475,799</u>
Increase (Decrease) In Working Capital			
	Working Capital (Deficiency), End of Year	<u>\$ 49,653</u>	<u>\$ (7,179)</u>
		<u>\$ 37,019</u>	<u>\$ (12,634)</u>

Notes To Consolidated Financial Statements

NOTE 1: Summary of Significant Accounting Policies

Introduction

All references in these Notes to the "Company" include the Canadian National Railway Company and its consolidated subsidiaries, and all references to the "System" mean Canadian National Railway Company and its consolidated subsidiaries together with the lines of railway and marine, telecommunications and other property owned by the Government of Canada and entrusted to the Company for management and operation.

Principles of Consolidation

Consistent with the legislation governing the System, the consolidated financial statements include the accounts of the Canadian Government Railways, entrusted to the Company by the Government of Canada. They also include the accounts of all subsidiaries except Air Canada, the investment in which is carried at cost. The Company does not have effective control over the operations of Air Canada which reports separately to the Minister of Transport. See also Note 2 regarding pending legislation affecting CN's investment in Air Canada.

Investments in jointly operated companies in which the Company has less than a majority interest are accounted for by the equity method where appropriate.

Material and Supplies

The inventory has been priced at laid down cost based on weighted average cost for ties, rails and fuel, latest invoice price for new materials in stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

Insurance Fund

The System is self-insured for various risks, maintaining a separately invested fund. The provision for insurance represents the estimated amount of self-insured losses to be adjusted.

Property

Property is carried at cost, which, in the case of properties brought into the System at January 1, 1923, is the aggregate of the values then appearing in the books of the railways now comprised in the System, less a contribution from the Government of Canada at the time of capital revision in 1937.

Accounting for railway and telecommunications property is carried out in accordance with rules issued by the Canadian Transport Commission and the Canadian Radio-television and Telecommunications Commission respectively (Canadian property), and the Interstate Commerce Commission (United States property), except, in the case of United States property, for the application of depreciation accounting to ties, rails, other track material and ballast as referred to below under Depreciation. Major additions and replacements generally are capitalized with the exception of labour costs relating to track material replacement which are charged to expense.

The cost of depreciable assets retired or disposed of, less salvage, is charged to accumulated depreciation, in accordance with the group plan of depreciation.

Depreciation

Depreciation is calculated at rates sufficient to write off properties over their estimated useful lives, generally on a straight-line basis in accordance with the group method. For railway and telecommunications properties, certain rates are authorized by the Canadian Transport Commission, the Canadian Radio-television and Telecommunications Commission and the Interstate Commerce Commission. The rates for significant classes of assets are as follows:

Ties	3.25%
Rails	1.15%
Other track material	1.90%
Ballast	4.00%
Road locomotives	4.60%
Freight cars	2.97%
Commercial communication systems	3.73%

During 1976, depreciation accounting, as described above, was adopted for certain United States properties, namely, ties, rails, other track material and ballast, which previously were accounted for on a replacement accounting basis in accordance with the rules of the Interstate Commerce Commission.

This change was made in order to account for all such System assets on the same basis. The effect of this change on the System's earnings for 1976 is insignificant. The cumulative effect to December 31, 1975, amounts to approximately \$10.9 million and has been included in the adjustment for unrecorded depreciation which has been correspondingly increased. See Note 3.

Leases

Rentals under lease arrangements are charged to expense on an accrual basis.

Pensions

Expenses are charged with payments to the various pension trust funds as required by regulatory authorities to cover both current service cost and the amortization, including interest, of unfunded liabilities over various periods to 2027.

Foreign Exchange

Assets and liabilities in foreign currencies have been translated into Canadian dollars at current rates except for investments, property investment and long-term debt for which historical rates have been used. Gains or losses on exchange are included in income. This policy represents a change from previous years when assets and liabilities in United States funds were translated into Canadian funds on the basis that one Canadian dollar equalled one United States dollar. The effect of this change is insignificant.

NOTE 2:**Investments**

The composition of investments is as follows:

	December 31	
	1976	1975
	(in thousands)	
Air Canada (wholly-owned subsidiary), at cost		
Capital stock	\$ 5,000	\$ 5,000
Debentures	95,086	95,086
Advances	249,391	282,733
	<u>349,477</u>	<u>382,819</u>

On October 28, 1976, legislation was introduced in Parliament which, if enacted, would cancel the Air Canada shares held by the Company and authorize cancellation of Company debt to the Government equal to the Company's investment in the capital stock of Air Canada. Such legislation would also authorize the Government to cancel Air Canada debt to the Company and matching Company debt to the Government.

Jointly-operated companies, on equity method where appropriate

Chicago & Western Indiana Railroad Company	9,033	8,881
The Detroit & Toledo Shore Line Railroad Company	5,543	5,347
Northern Alberta Railways Company	26,563	26,580
The Toronto Terminals Railway Company	9,182	9,182
Other	4,957	4,935
	<u>55,278</u>	<u>54,925</u>

Other companies, at cost

Eurocanonical Shipholdings Limited	11,900	11,900
Intercast, S.A.	100	100
	<u>12,000</u>	<u>12,000</u>
Total	\$416,755	\$449,744

NOTE 3:
Property Investment

	December 31, 1976			December 31, 1975		
	Cost	Accumulated	Net (in thousands)	Cost	Accumulated	Net
		Depreciation			Depreciation	
Canadian Lines (1)	\$4,835,383	\$2,198,797	\$2,636,586	\$4,570,040	\$1,376,829	\$3,193,211
Grand Trunk Corporation	330,297	116,141	214,156	290,356	75,344	215,012
Telecommunications	443,594	153,205	290,389	425,435	125,709	299,726
Hotels	115,866	48,435	67,431	111,059	26,693	84,366
Separately-operated trucking companies	50,752	25,014	25,738	50,241	22,760	27,481
Other	85,066	7,004	78,062	71,073	3,343	67,730
	<u>\$5,860,958</u>	<u>\$2,548,596</u>	<u>\$3,312,362</u>	<u>\$5,518,204</u>	<u>\$1,630,678</u>	<u>\$3,887,526</u>

(1) Includes CN Rail, CN Express, CN Passenger and CN Marine properties.

For Canadian properties, depreciation accounting was introduced for equipment in 1940, for hotel properties in 1954, and for track and road structures and all other physical properties except land in 1956. For United States properties, depreciation accounting was introduced for ties, rails, other track material and ballast in 1976. Other United States properties have been effectively depreciated since acquisition.

In 1976 the System recorded by a charge of \$807.8 million to Shareholder's Equity and a corresponding credit to accumulated depreciation on property investment, the depreciation not previously recorded by Canadian and United States lines with respect to the years prior to adoption of depreciation accounting.

NOTE 4: Long-Term Debt

	Maturity	Currency in which payable	December 31	
			1976	1975
Bonds				
Canadian National 5%, 18 Year Bonds (a, b, d)	May 15, 1977	Canadian	\$ 68,775	\$ 70,885
Canadian National 4%, 23 Year Bonds (a)	Feb. 1, 1981	Canadian	300,000	300,000
Canadian National 5 3/4 %, 25 Year Bonds (a, b)	Jan. 1, 1985	Canadian	79,667	82,017
Canadian National 8 3/8 %, 10 Year Bonds	Nov. 15, 1986	U.S.	83,232	—
Canadian National 5%, 27 Year Bonds (a, b)	Oct. 1, 1987	Canadian	125,381	129,987
Buffalo and Lake Huron 5 1/2 %, 1st Mortgage Bonds	Perpetual	Sterling	795	795
Buffalo and Lake Huron 5 1/2 %, 2nd Mortgage Bonds	Perpetual	Sterling	1,228	1,228
Total Bonds			<u>659,078</u>	<u>584,912</u>
Government of Canada Loans				
Canadian Government Railways, advances for working capital (c)		Canadian	16,984	16,984
Financing and Guarantee Acts loans (c, d)		Canadian	271,193	264,059
Refunding Act, 1955 loans for debt redemption (c, d)		Canadian	991,859	1,025,543
Loans for capital expenditures (c, e)		Canadian	131,486	134,236
Amounts included in current liabilities			(6,379)	(2,751)
Total Government of Canada Loans			<u>1,405,143</u>	<u>1,438,071</u>
Other				
Amounts owing under equipment purchase agreements (f)		U.S.	179,446	50,541
Amounts included in current liabilities			(5,286)	(2,400)
Total Other			<u>174,160</u>	<u>48,141</u>
Total Long-Term Debt			<u>\$2,238,381</u>	<u>\$2,071,124</u>

a Guaranteed by the Government of Canada.

b Amounts up to 1/2 % of original principal amount may be purchased quarterly through purchase funds operated under the conditions of each issue.

c Weighted average interest rate on Government of Canada loans outstanding at December 31, 1976 was 7.73% per annum.

d Government of Canada loans in the amount of \$624.5 million and Canadian National 18 year Bonds, in the amount of \$68.8 million at December 31, 1976, falling due within twelve months are included in long-term debt rather than in current liabilities at that date, since they are expected to be refinanced with the Government, as described in Note 4(g) below. The Government of Canada loans comprise \$452.2 million in the form of six-month or demand notes and \$172.3 million of other loans.

e Payable by semi-annual installments of \$7.16 million covering principal and interest to August 21, 1995.

f Secured by rolling stock. Represents an amount of U.S. \$180.142 million payable by principal instalments as follows:

Principal outstanding Dec. 31, 1976	Semi-annual Instalment (in thousands)	Period		Annual Interest Rate
		Commencing	To	
\$ 10,800	\$ 1,200	January 1977	January 1981	9.00%
38,000	1,900	July 1981	January 1991	9.75%
50,000	2,500	July 1981	January 1991	9.75%
13,160	{ 940	January 1977	July 1981 } { 1,880	8.50%
	662	January 1982	July 1982 } { 1,323	
9,259		July 1977	January 1982 } { 1,323	8.00%
33,840	1,880	July 1982	January 1983 } { 1,323	
23,808	1,323	January 1983	July 1991	9.00%
		July 1983	January 1992	8.50%
 <u>Quarterly Instalment</u>				
1,275	67	January 1977	July 1981	8.35%
\$180,142				

g Principal amounts due in the years indicated, and expected Government refinancing, on debt outstanding at December 31, 1976 are as follows:

Year ending December 31:	Principal amount maturing	Expected Government refinancing
	(in thousands)	
1977	\$253,642	\$241,074
1978	69,626	55,800
1979	333,313	317,000
1980	98,021	81,000
1981	485,121	467,250
1982-1986	254,780	79,667

Amounts of maturing principal for each period, shown as "Expected Government refinancing" in the above table, represent the portion of principal amounts maturing of a type which has been customarily refinanced with the Government in the past. On January 1, 1977, a loan of \$100 million under the Refunding Act matured and was refinanced. The most recent refinancings with the Government were made subject to amortization of the principal amount over a period of 20 years. It is to be expected that at least some portion of future refinancings will be subject to amortization. Principal amounts maturing in excess of expected Government

refinancing represent the principal amount of the 8% bonds, due 1986, including amortization of a portion of the principal amount thereof prior to maturity and amounts required for amortization of debt with respect to which amortization schedules have been fixed.

Excluded from principal amounts maturing in the above table is the principal amount of Government loans under various Canadian National Railways Financing and Guarantee Acts and the Canadian National Railways Refunding Act, 1955, which are in the form of six-month or demand notes and have been consistently refinanced with the

Government at maturity. The outstanding principal amount of these loans was \$452.2 million at December 31, 1976.

NOTE 5:**Capital Stock**

a The capital stock of the Canadian National Railway Company (other than the 4% preferred stock) and the capital investment of Her Majesty in the Canadian Government Railways are included in the net debt of Canada and disclosed in the historical record of government assistance to railways as shown in the Public Accounts of Canada.

b As authorized by annual Government appropriation the Government of Canada has purchased 4% preferred stock during the two years ended December 31, 1976, at the price of \$1 per share, in amounts equal to approximately 3% of gross revenues for the period, as follows:

Balance — beginning of year
Purchased during year
Balance — end of year

	Year ended December 31	
	1976	1975
(in thousands of shares)		
1,436,246	1,374,190	
68,232	62,056	
1,504,478	1,436,246	

NOTE 6:**Major Commitments**

a The Company has commitments as at December 31, 1976, for rentals under leases, of which the significant portion is in respect of railway rolling stock as shown below:

	Years ending December 31
	(in thousands)
1977	\$64,670
1978	63,740
1979	64,875
1980	65,984
1981	65,360
1982-1986	310,760
1987-1991	165,730
1992-1996	4,843
1997	383

b Payments under rolling stock lease arrangements in 1976 totalled approximately \$54 million.

c In 1976 the Company entered into a sale, at book value, and lease-back over 15 years of railway rolling stock having a book value of \$5.001 million.

d Canaven Limited, a wholly-owned subsidiary of the Company, was incorporated in 1976 to bid for the construction, equipping and commissioning of a new railway line in Venezuela. Although Canaven sub-

mitted the low bid of \$959 million, its bid was non-compliant in some respects with the detailed instructions given bidders. No decision regarding the bids has yet been communicated to Canaven by the Government of Venezuela.

NOTE 7:**Subsidies**

Revenues include the following subsidies:

	1976	1975
(in thousands)		
a payments under the Railway Act paid by the Government of Canada under authority of that Act and Appropriation Act No. 4, 1975 in respect of certain uneconomic operations, services and prescribed rates which railways are required by the Railway Act to maintain	\$ 255,218	\$ 159,706
b vessel subsidies	\$ 85,863	\$ 95,099
c Maritime Freight Rates Act and Atlantic Region Freight Assistance Act subsidies	\$ 15,332	\$ 14,654

**NOTE 8:
Pensions**

The unfunded liabilities of the Company's various pension plans and the cost for such plans were as follows:

Unfunded liability to be funded by annual payments to:

1992
1996
2014
2027

Total

	At December 31	
	1976	1975
	(in thousands)	
\$ 718,306	\$ 452,641	
43,414	44,347	
14,342	14,490	
297,000	297,542	
\$1,073,062	\$ 809,020	

	Year ended December 31	
	1976	1975
	(in thousands)	
\$ 143,207	\$ 110,891	

Cost for pension plans

Effective January 1, 1976, the unfunded liability was increased by \$289 million, as a result of increases in pensions of existing pensioners and an actuarial valuation as at December 31, 1975, the previous actuarial valuation having been made as at December 31, 1972. This increase is being funded by annual payments of \$29,791,000, principal and interest, to 1992. The total unfunded liability is being funded and charged to operations in annual amounts including principal and interest of \$103,477,800 to 1992, \$27,046,300 from 1993 to 1996, \$22,936,300 from 1997 to 2014 and \$22,040,000 from 2015 to 2027.

**NOTE 9:
Income Taxes**

Provision for income taxes of \$6 million has been reduced by \$5.6 million by claiming capital cost allowances for income tax purposes higher than depreciation charged for book purposes. Undepreciated capital cost for income tax purposes exceeds the net book value of depreciable assets by about \$1,500 million which is available to reduce taxable income of future years.

**NOTE 10:
Anti-Inflation Act**

The Anti-Inflation Act, effective October 14, 1975, provides for the restraint of profit margins, prices, dividends and compensation. The System is subject to this legislation and has no unrecorded or contingent liability in that respect.

**NOTE 11:
Restatement of Comparative
Figures**

During 1976, changes were made to improve the classification of certain items and for comparative purposes the related figures for 1975 have been restated.

**NOTE 12:
Subsequent Events**

a During March 1977, CN issued and sold 8 1/8 % Bonds payable in Canadian funds due March 1, 1987, in the amount of \$60 million.

b On January 12, 1977, VIA Rail Canada Inc. was incorporated. It is intended to be a wholly-owned subsidiary of CN and the vehicle for providing unified management and control for rail passenger services in Canada.

Auditors' Report

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

To The Honourable The Minister of Transport,
Ottawa, Canada.

We have examined the consolidated balance sheet of the Canadian National Railway System as at December 31, 1976 and the consolidated statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements are properly drawn up so as to give a true and fair view of the state of affairs of the System as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles which, except for the change to depreciation accounting in respect of certain assets and the change in accounting for foreign exchange referred to in Note 1, have been applied on a basis consistent with that of the preceding year.

Also, in our opinion, proper books of account have been kept and the transactions that have come to our notice have been within the powers of the System.

Our audit report on the consolidated financial statements for the year ended December 31, 1975 referred to the fact that depreciation had not been recorded in earlier years. This deficiency was made good in 1976 as referred to in Note 3.

Coopers *lybrand*

Montreal, Canada,
February 25, 1977.

Chartered Accountants.

**Pension Trust Funds - 1959 and 1935 Pension Plans -
Consolidated Statement of Financial Position as at December 31**

	1976 (in thousands)	1975
Investments		
Bonds — quoted market value 1976 — \$390,587;		
1975 — \$290,620	\$ 443,470	\$ 369,671
Mortgages and loans — secured by real estate	323,413	312,034
Real estate	63,486	37,575
Equities		
— stocks	\$465,833	
— convertible debentures	10,101	
— funds temporarily invested pending purchase of stocks	<u>91,620</u>	
Total — quoted market value 1976 —		
\$527,343; 1975 — \$472,937	567,554	523,134
Short-term investments	44,668	32,802
	<u>1,442,591</u>	<u>1,275,216</u>
Cash in banks	136	165
Accounts receivable — Canadian National Railways	4,443	6,435
Accrued interest and other assets	14,704	14,177
	<u>1,461,874</u>	<u>1,295,993</u>
Amount required from the Company for funding in accordance with the Pension Benefits Standards Act, to be liquidated by annual payments to September 30, 2027		
Balance, beginning of year	794,530	745,482
Add increases during year	289,271	73,706
Deduct — unfunded liability applicable to the 1975 U.S. Pension Plan	—	(9,892)
— principal payments	(25,081)	(14,766)
Balance, end of year	<u>1,058,720</u>	<u>794,530</u>
	<u>\$2,520,594</u>	<u>\$2,090,523</u>

Auditors' Report

To the Trustee,
Canadian National Railways
Pension Funds.

We have examined the consolidated statement of financial position of the Pension Trust Funds — 1959 and 1935 Pension Plans of Canadian National Railways as at December 31, 1976. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The actuarial liability for pensions is the subject of a separate certificate of independent actuaries which accompanies the consolidated statement of financial position, the last actuarial valuation having been made as of December 31, 1975.

In our opinion, based on our examination and the actuarial certificate, this consolidated financial statement is properly drawn up so as to give a true and fair view of the state of affairs of the Pension Trust Funds as at December 31, 1976 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, proper books of account have been kept and the transactions that have come under our notice have been within the powers of the Trustee.

Coopers Lybrand

Chartered Accountants.

February 25, 1977.

**Pension Trust Funds - 1959 and 1935 Pension Plans -
Consolidated Statement of Financial Position as at December 31**

Actuarial Liability for Pensions	Balance, Beginning of Year		
		1976 (in thousands)	1975
		<u>\$2,090,523</u>	<u>\$1,915,553</u>
Additions During Year			
Increases in liability for pensions resulting from			
— Actuarial valuation as at December 31, 1975	266,934		—
— Pension plan changes	—	49,890	
— Increases in pensions of existing pensioners	22,337	23,816	
	<u>289,271</u>	<u>73,706</u>	
Contributions by employees on account of			
— Current service	52,408	49,817	
— Prior years' service	6,219	6,774	
	<u>58,627</u>	<u>56,591</u>	
Contributions by the Company, including principal payments	\$141,755		
Principal payments applied to unfunded liability	<u>25,081</u>	116,674	94,746
Net earnings on investments		83,377	69,728
		<u>258,678</u>	<u>221,065</u>
		<u>2,638,472</u>	<u>2,210,324</u>
Deductions During Year			
Pensions paid	109,309	93,567	
Refunds on termination of service	8,569	4,981	
Net reduction in actuarial liability for pensions on establishment of the 1975 U.S. Pension Plan	—	21,253	
	<u>117,878</u>	<u>119,801</u>	
Balance, end of year	<u>\$2,520,594</u>	<u>\$2,090,523</u>	

S. D. H. Thomas,
Corporate Comptroller.

Actuarial Certificate

To the Trustee,
Canadian National Railways
Pension Funds.

This is to certify that the liability for pensions shown in the consolidated statement of financial position of the Pension Trust Funds — 1959 and 1935 Pension Plans of Canadian National Railways as at December 31, 1976, amounting to \$2,520,594,000, in my opinion, represents adequate provision for the accumulated liabilities for pensions then approved

and in force, pensions awaiting approval and pensions accrued to the above date in respect of employees then in service under the 1959 and 1935 Pension Plans.

Fellow of the Canadian Institute
of Actuaries.

William M. Mercer Limited,
Montreal, February 24, 1977.

Notes to Pension Trust Funds Consolidated Statement of Financial Position

1. Summary of Significant Accounting Policies

Plans included in Statement

The Pension Trust Funds Consolidated Statement of Financial Position includes the actuarial liability for pensions with respect to the 1959 and 1935 Pension Plans and the related investments and unfunded liability.

Consolidation of Real Estate Subsidiaries

The Pension Trust Funds have invested in real estate through the ownership of a number of wholly-owned real estate companies. The accounts of those companies are consolidated with the accounts of the Pension Trust Funds.

Investment Valuation

a Bonds are carried at their amortized value, plus deferred amounts arising from exchanges made to improve yields which are written-off over the remaining life of the bonds sold;

b Mortgages and loans are carried at outstanding principal balances;

c Real estate consists of land and buildings. Land is carried at cost and buildings at cost less encumbrances and accumulated depreciation;

d Equities and short-term investments are carried at cost.

The quoted market value of investments in bonds and equities is based on the closing market quotations as of December 31.

Actuarial Method

The funding of the Plans' benefits including liquidation of the unfunded liability, meets the requirements of the Pension Benefits Standards Act and regulations thereunder as modified by regulations not yet published but applied by the Department of Insurance.

Contributions by the Company are determined in accordance with the accrued benefit-unit credit cost method.

The principal assumptions underlying the actuarial computations adopted by the Plans' actuary have been developed from the actual experience of the Plans in regard to the members' mortality, disability, retirement, termination of employment, and merit and periodic increases in earnings. During 1976, as part of the 1975 valuation, the assumptions relating to wage inflation and mortality experience after retirement were strengthened.

For the purpose of the Actuarial computations the Pension Trust Fund is assumed to earn 7½ % per annum on its investments, and future increases in members' earnings have been projected using a scale of economic increases consistent with that assumption.

Accounting for Contributions

Contributions from employees are recorded in the period that CN makes payroll deductions.

Contributions by the Company are recorded monthly, based upon amounts required to be funded with respect to accrued liabilities and the Company's current service liability.

Income Determination

Dividend income is recorded as of the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

Gain or loss on sales of equities is based on the average cost.

2. Commitments

Outstanding commitments to purchase mortgages and real estate investments amounted to \$98,009,610 at December 31, 1976.

Notes afférentes à l'état consolidé de la situation financière

Les engagements pris relativement à des prêts hypothécaires et à des placements immobiliers s'élèvent à \$98 009 610 au 31 décembre 1976.

2. Engagements

Une réglementation non encore publiée mais déjà appliquée par le département des Assurances.

Les contributions de la Compagnie sont déterminées selon la méthode d'évaluation à prime unique périodique.

Les principales hypothèses qui ont servi de base aux calculs des actua-

le comportement de ces régimes en fonction des mortalités, invalidités, retraites et départs des adhérents ainsi que des augmentations salariales accordées selon les mérites ou sur une base périodique. En 1976,

1975, les hypothèses relatives à l'indice de mortalité après retraite ont été dans le cadre de l'évaluation de 1975, dans le cadre de l'évaluation de 1976, au portefeuille effectuées en vue d'améliorer le rendement prévu des obligations vendues;

Aux fins des calculs actuariels, on a supposé que le revenu de place- ments des Caisses fiduciaires de retraite était de 7½ % par année, et les futures augmentations salariales des adhérents ont été prévues selon une échelle d'accroissement économique corrélant à celle hyphothéque.

Compabilité des cotisations

Les cotisations des employés sont comprises suivant la période pour laquelle elles sont versées par la compagnie sont comparables avec les contributions versées par la compagnie pour l'assurance vieillesse et les années antérieures.

Le mensuellement, selon les montants qui doivent être consolides réellement à ses obligations à l'égard du personnel pour l'année courante et les années suivantes.

Etablissement du revenu

Les revenus de dividende sont comparables à la date ex-dividende. Les revenus d'autres placements sont comparables à la date d'achat moyen.

Les profits ou pertes résultant de la vente de titres sont calculés sur le prix d'achat moyen.

des caisses fiduciaires de retraite

1. Sommaire des méthodes

à l'état financier

et de 1959 et les placements de 1959

relativement à l'obligation actuarielle relative comprend l'obligation financière des Caisses fiduciaires de retraite et de 1935

les Caisses fiduciaires de retraite ont effectué des placements immobiliers en se portant acquéreur à part entière d'un certain nombre de sociétés immobilières. Les compagnies de ces sociétés et celles des Caisses de retraite ont obtenu des résultats meilleurs à leur valeur amortie, plus les reports provenant de modifications réalisées à leur valeur marchande qui sont comparables.

b. Les prêts hypothécaires sont traités comme soldes de principal;

c. Le domaine est constitué de ter- rains et de constructions. Les terrains sont comparables au prix consti- tuant. La valeur marchande des terrains les charges hypothécaires et les constructions, au prix consti- tuant, sont comparables au prix et la dépréciation accrue;

d. Les titres et placements de court terme sont comparables au prix et la liquidation de la dette actuarielle, titre des régimes, y compris la

La consolidation des prestations au titre des régimes, y compris la

est conforme aux exigences de la Loi sur les normes des prestations de la réglementation et de la réglementation

y afférente, telles que modifiées par la loi de 1976.

S. D. H. Thomas,
Le contrôleur général,

Obligataire	Augmentations en cours d'exercice	Augmentations en début d'exercice	Solde en début d'exercice	Solde en fin d'exercice
—	—	\$1 915 553	\$2 090 523	\$2 520 594
49 890	23 816	22 337	266 934	1976
73 706	—	—	—	1976 (en milliers)
49 817	52 408	6 219	58 627	56 591
6 774	—	—	—	49 817
69 728	83 377	25 081	\$141 755	21 253
221 065	258 678	—	2 638 472	119 801
93 567	109 309	8 569	—	117 878
4 981	—	—	—	—
93 567	—	—	—	—
21 253	—	—	—	—
119 801	—	—	—	—
\$2 090 523	—	—	—	—

Etat consolidé de la situation financière des caisses fiduciaires de retraite - régimes de 1959 et de 1935 - au 31 décembre

Obligataire

Augmentations en cours d'exercice

Augmentations en début d'exercice

Solde en début d'exercice

Solde en fin d'exercice

Attestation de l'actuaire

Au fiduciaire, au 31 décembre 1976, et qui s'élève à \$2 520 594 000, pourvoit suffisamment aux engagements pris une provision qu'il a mon avisi, est une consécration de la situation financière des caisses fiduciaires de l'état consolidé qui figure dans l'attestation actuelle que l'obligataire des chemins de fer National du Canada, au 31 décembre 1935 — des chemins de fer National — régimes de 1959 et de clére des caisses fiduciaires de l'état consolidé de la situation financière des caisses fiduciaires de l'obligataire des chemins de fer National aux régimes de 1959 et de 1935 — des chemins de fer National — régimes de 1959 et de 1935.

William M. Mercer Limited, Montréal, le 24 février 1977.

Fellow de l'Institut canadien des actuaires.

Le personnel en activité à la date de retraite de 1959 et de 1935, ainsi qu'aux pensions prévues pour déjà accordées et effectivement versées, aux pensions en instance, men ts correspondant aux pensions déjà accordées et effectivem ent de retraite de 1959 et de 1935.

W.M. M.L.

est une consécration de la situation financière des caisses fiduciaires de l'état consolidé qui figure dans l'attestation actuelle que l'obligataire des chemins de fer National aux régimes de 1959 et de 1935.

Au fiduciaire, au 31 décembre 1976, et qui s'élève à \$2 520 594 000, pourvoit suffisamment aux engagements pris une provision qu'il a mon avisi, est une consécration de la situation financière des caisses fiduciaires de l'état consolidé qui figure dans l'attestation actuelle que l'obligataire des chemins de fer National aux régimes de 1959 et de 1935.

Montreal, Canada,
le 25 février 1977.

COMPATABLES AGREES,

Coopers Lybrand

Notre rapport des vérificateurs sur les états financiers consolidés pour l'exercice terminé le 31 décembre 1975 fait état du fait que l'amortissement n'a pas été inscrit au cours des exercices passés. Cette insuffisance a été combinée en 1976, tel que l'indique la note 3.

Nous estimons également que le Résneau a tenu les livres compatables appropriés et n'a pas excédé sa compétence en procédant aux opérations dont nous savons pris connaissance.

A notre avis, ces états consolidés ont été établis de manière à concéder certaines immobilisations et au changement apposé à la comptabilisation du change étranger, tel qu'il est mentionné à la note 1.

Précédent, sauf en ce qui a trait à l'adoption de la méthode d'amortissement, nous estimons que le Résneau a tenu les livres compatables généralement reconnus, appliquées de la même manière qu'au cours de l'exercice financier pour l'exercice terminé à cette date selon les principes comptables 1976, des résultats de son exploitation ainsi que de l'évolution de sa situation financière pour l'exercice terminé à cette date de l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables 1976, des résultats de son exploitation ainsi que de l'évolution de sa situation financière pour l'exercice terminé à cette date de l'évolution de sa situation financière pour l'exercice terminé à cette date.

Nous savons vérifier le bilan consolidé du Résneau des Chemins de fer nationaux du Canada au 31 décembre 1976 et les états consolidés des bénéfices et du surplus et de l'évolution de la situation financière pour l'exercice terminé à cette date. Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues et à une composition, par conséquent, les sondages et autres procédés que nous savons juger nécessaire d'effectuer dans les circonstances.

Ottawa, Canada.
A l'Honorable Ministre des Transports,

COOPERS & LYBRAND
COMPATABLES AGREES

Le déficit acc
mes de retr
le court des
comme suit

A compter du 1^{er} janvier 1976, le déficit actuel sera évalué au 31 décembre de chaque année et d'une augmentation accordees aux tariations de pension par suite des augmentations de la pension. Le déficit actuel sera évalué au 31 décembre 1975, l'année précédente ayant été faite la rétroaction et d'une évaluation accordée au 31 décembre 1972. Cet accroissement sera illiqué au total annuel, jusqu'en 1992. La totalité du déficit actuel sera illiquide au 31 décembre 1972. Cet accroissement sera illiqué au total annuel de \$29 791 000, intérêt par les paiements sera illiqué au total annuel de \$29 791 000, intérêt et principal, jusqu'en 1992. La totalité des intérêts et principaux sera illiquide au 31 décembre 1972. Cet accroissement sera illiqué au total annuel de \$22 936 300 de 1993 à 1996, \$27 046 300 de 1997 à 2014 et \$22 040 000 de 2015 à 2027.

NOTE 9:
Impôts sur le revenu

La provision de \$6 millions pour impôts sur le revenu a été rendue de \$5,6 millions étant donné que les allocations du coût en capital réalisées sur le revenu non amorti de l'amortissement de l'imposte sur le revenu excède la valeur comptable des éléments d'actif amortis nette des éléments d'actif amortis. Ce montant pourra être utilisé pour déduire le chiffre du revenu imposable au cours des années à venir.

Total	2027
par paitements annuels	1992
Déficit actuairel à court	1996
par paitements annuels	2014
Déficit actuairel à court	2027

NOTE 10:	Loi anti-inflation
La Loi anti-inflation, entrée en vigueur le 14 octobre 1975, prévoit des restrictions sur les marges bénéficiaires, les prix, les dividendes et la remunération. Le Réséau est assujetti à cette loi et n'a aucun engagement conditionnel ou non comparable à cet égard.	NOTE 11: Présentation des éléments de comparaison

Au cours de 1976, le classement de certains postes a été modifié dans un but d'amélioration et les chiffres afférents de 1975 ont été rectifiés en conséquence.

a En mars 1977, le CN a émis et vendu des obligations à 87% payables en monnaie canadienne et échéant le 1^{er} mars 1987, pour un montant de \$60 millions.

b Le 12 janvier 1977, VIA Rail Canada Inc. a été constituée en société. Cette société doit être une filiale en toute propriété du CN ayant pour but d'unifier la gestion et le contrôle des services ferroviaires de voyageurs au Canada.

NOTE 12: Evenements subséquents

Au cours de 1976, le classement de certains postes a été modifié dans un but d'amélioration et les chiffres afférents de 1975 ont été rectifiés en conséquence.

NOTE 5: Capital Actions

Engagements importants

NOTE 5 : Capital-actions

- a Le capital-actions de la Compagnie des Chemins de fer Nationaux du Canada (à l'exclusion des actions privilégiées à 4%) et les participations dans les institutions de Sa Majesté dans les Chemins de fer du Canada et de fer du Québec.
- b En vertu d'affectations annuelles de crédits, le gouvernement du Canada a acheté, à \$1 l'action, des actions privilégiées à 4% au cours de la période de deux ans terminée le 31 décembre 1976, pour des sommes s'élevant approximativement à 3% des recettes brutes pour cette période.
- c Ces achats s'établissent comme suit:

Chiffre d'affaires annuelles	Nombre d'actions achetées	Prix moyen par action	Total
1976	1 000 000	\$1,00	\$1 000 000
1977	1 000 000	\$1,00	\$1 000 000
1978	1 000 000	\$1,00	\$1 000 000
1979	1 000 000	\$1,00	\$1 000 000
1980	1 000 000	\$1,00	\$1 000 000
1981	1 000 000	\$1,00	\$1 000 000
1982	1 000 000	\$1,00	\$1 000 000
1983	1 000 000	\$1,00	\$1 000 000
1984	1 000 000	\$1,00	\$1 000 000
1985	1 000 000	\$1,00	\$1 000 000
1986	1 000 000	\$1,00	\$1 000 000
1987	1 000 000	\$1,00	\$1 000 000
1988	1 000 000	\$1,00	\$1 000 000
1989	1 000 000	\$1,00	\$1 000 000
1990	1 000 000	\$1,00	\$1 000 000
1991	1 000 000	\$1,00	\$1 000 000
1992	1 000 000	\$1,00	\$1 000 000
1993	1 000 000	\$1,00	\$1 000 000
1994	1 000 000	\$1,00	\$1 000 000
1995	1 000 000	\$1,00	\$1 000 000
1996	1 000 000	\$1,00	\$1 000 000
1997	1 000 000	\$1,00	\$1 000 000
1998	1 000 000	\$1,00	\$1 000 000
1999	1 000 000	\$1,00	\$1 000 000
2000	1 000 000	\$1,00	\$1 000 000
2001	1 000 000	\$1,00	\$1 000 000
2002	1 000 000	\$1,00	\$1 000 000
2003	1 000 000	\$1,00	\$1 000 000
2004	1 000 000	\$1,00	\$1 000 000
2005	1 000 000	\$1,00	\$1 000 000
2006	1 000 000	\$1,00	\$1 000 000
2007	1 000 000	\$1,00	\$1 000 000
2008	1 000 000	\$1,00	\$1 000 000
2009	1 000 000	\$1,00	\$1 000 000
2010	1 000 000	\$1,00	\$1 000 000
2011	1 000 000	\$1,00	\$1 000 000
2012	1 000 000	\$1,00	\$1 000 000
2013	1 000 000	\$1,00	\$1 000 000
2014	1 000 000	\$1,00	\$1 000 000
2015	1 000 000	\$1,00	\$1 000 000
2016	1 000 000	\$1,00	\$1 000 000
2017	1 000 000	\$1,00	\$1 000 000
2018	1 000 000	\$1,00	\$1 000 000
2019	1 000 000	\$1,00	\$1 000 000
2020	1 000 000	\$1,00	\$1 000 000
2021	1 000 000	\$1,00	\$1 000 000
2022	1 000 000	\$1,00	\$1 000 000
2023	1 000 000	\$1,00	\$1 000 000
2024	1 000 000	\$1,00	\$1 000 000
2025	1 000 000	\$1,00	\$1 000 000
2026	1 000 000	\$1,00	\$1 000 000
2027	1 000 000	\$1,00	\$1 000 000
2028	1 000 000	\$1,00	\$1 000 000
2029	1 000 000	\$1,00	\$1 000 000
2030	1 000 000	\$1,00	\$1 000 000
2031	1 000 000	\$1,00	\$1 000 000
2032	1 000 000	\$1,00	\$1 000 000
2033	1 000 000	\$1,00	\$1 000 000
2034	1 000 000	\$1,00	\$1 000 000
2035	1 000 000	\$1,00	\$1 000 000
2036	1 000 000	\$1,00	\$1 000 000
2037	1 000 000	\$1,00	\$1 000 000
2038	1 000 000	\$1,00	\$1 000 000
2039	1 000 000	\$1,00	\$1 000 000
2040	1 000 000	\$1,00	\$1 000 000
2041	1 000 000	\$1,00	\$1 000 000
2042	1 000 000	\$1,00	\$1 000 000
2043	1 000 000	\$1,00	\$1 000 000
2044	1 000 000	\$1,00	\$1 000 000
2045	1 000 000	\$1,00	\$1 000 000
2046	1 000 000	\$1,00	\$1 000 000
2047	1 000 000	\$1,00	\$1 000 000
2048	1 000 000	\$1,00	\$1 000 000
2049	1 000 000	\$1,00	\$1 000 000
2050	1 000 000	\$1,00	\$1 000 000
2051	1 000 000	\$1,00	\$1 000 000
2052	1 000 000	\$1,00	\$1 000 000
2053	1 000 000	\$1,00	\$1 000 000
2054	1 000 000	\$1,00	\$1 000 000
2055	1 000 000	\$1,00	\$1 000 000
2056	1 000 000	\$1,00	\$1 000 000
2057	1 000 000	\$1,00	\$1 000 000
2058	1 000 000	\$1,00	\$1 000 000
2059	1 000 000	\$1,00	\$1 000 000
2060	1 000 000	\$1,00	\$1 000 000
2061	1 000 000	\$1,00	\$1 000 000
2062	1 000 000	\$1,00	\$1 000 000
2063	1 000 000	\$1,00	\$1 000 000
2064	1 000 000	\$1,00	\$1 000 000
2065	1 000 000	\$1,00	\$1 000 000
2066	1 000 000	\$1,00	\$1 000 000
2067	1 000 000	\$1,00	\$1 000 000
2068	1 000 000	\$1,00	\$1 000 000
2069	1 000 000	\$1,00	\$1 000 000
2070	1 000 000	\$1,00	\$1 000 000
2071	1 000 000	\$1,00	\$1 000 000
2072	1 000 000	\$1,00	\$1 000 000
2073	1 000 000	\$1,00	\$1 000 000
2074	1 000 000	\$1,00	\$1 000 000
2075	1 000 000	\$1,00	\$1 000 000
2076	1 000 000	\$1,00	\$1 000 000
2077	1 000 000	\$1,00	\$1 000 000
2078	1 000 000	\$1,00	\$1 000 000
2079	1 000 000	\$1,00	\$1 000 000
2080	1 000 000	\$1,00	\$1 000 000
2081	1 000 000	\$1,00	\$1 000 000
2082	1 000 000	\$1,00	\$1 000 000
2083	1 000 000	\$1,00	\$1 000 000
2084	1 000 000	\$1,00	\$1 000 000
2085	1 000 000	\$1,00	\$1 000 000
2086	1 000 000	\$1,00	\$1 000 000
2087	1 000 000	\$1,00	\$1 000 000
2088	1 000 000	\$1,00	\$1 000 000
2089	1 000 000	\$1,00	\$1 000 000
2090	1 000 000	\$1,00	\$1 000 000
2091	1 000 000	\$1,00	\$1 000 000
2092	1 000 000	\$1,00	\$1 000 000
2093	1 000 000	\$1,00	\$1 000 000
2094	1 000 000	\$1,00	\$1 000 000
2095	1 000 000	\$1,00	\$1 000 000
2096	1 000 000	\$1,00	\$1 000 000
2097	1 000 000	\$1,00	\$1 000 000
2098	1 000 000	\$1,00	\$1 000 000
2099	1 000 000	\$1,00	\$1 000 000
20000	1 000 000	\$1,00	\$1 000 000

Les fractions du montant principal arrivant à échéance pour chaque période et dont le montant apparaît ci-dessous dans la colonne «Refinan- cement gouvernemental prévu» correspondant à celles appartenant à une catégories de même par- tage. Le 1er janvier 1977, un prêt de \$100 millions obtenu en vertu de la Loi sur le remboursement d'obligations est arrivé à échéance et a été refinancé. Les refinances ments les plus récents du gouverne- ment ont été consentis sous réserve de l'amortissement du montant principal sur 20 ans. Il y a lieu de s'attendre à ce que, à l'avvenir, les autres refinancement soient, en par- tie au moins, assujettis à un amor- tissement. La différence entre le montant principal versé au cours de l'échéance

Montant	Refinancement gouvernemental	Principale échéance	Prévu	Exercice se terminant le 31 décembre: (en milliers)
\$241 074	\$253 642	69 626	55 800	1977
\$253 642	333 313	317 000	317 000	1978
69 626	98 021	81 000	81 000	1979
333 313	485 121	467 250	467 250	1980
317 000	254 780	79 667	79 667	1981
81 000				1982-1986

g) Les montants en principal dus au cours des années individuées, et le refinancement gouvernemental prévu sur la dette en cours au 31 décembre 1976, s'établissent comme suit:

- Garantis par le matériel roulaant.
- Représente un montant de \$180.142 millions (\$E.-U.) payable en verse-
- Ments de principal comme suit:

(*) Comprendent les immobilisations de CN Hall, des Messageries CN, des Services voyagieurs CN et de CN Marine.

Lignes canadiennes ⁽¹⁾	Société du Grand-Tronc	Télécommunications	Hôtels	Entreprises autonomes	Autres
\$4 835 383	\$2 198 797	\$2 636 586	\$4 570 040	\$1 376 829	\$3 193 211
Prix	Montant	Montant	Montant	Montant	Montant
Amortis-	Accumulé	Accumulé	Accumulé	Accumulé	net
-	(en milliers)	(en milliers)	(en milliers)	(en milliers)	
31 décembre 1976					

NOTE 3: Imobilisations

NOTE 3:

Les gains ou pertes résultant du change sont inscrits au revenu. Cette politique représente un changement par rapport aux années précédentes où les éléments d'actif et de passif en monnaie des États-Unis avaient été convertis en monnaie canadienne sur la base de l'égalité de valeur du dollar canadien et du dollar américain. L'effet produit par le chan-

NOTE 2:	Participations	Les participations se décomposent comme suit:
	Air Canada (filiale en toute propriété), au prix consultant	\$ 5 000
	Capital-ACTIONS	\$ 5 000
	Debentures	95 086
	Advances	282 733
		382 819
		349 477
	249 391	282 733
	95 086	95 086
		249 391
		349 477
	(en milliers)	
	1976	1975
	31 décembre	

Evolution consolidée de la situation financière

Réseau des Chemins de fer Nationaux du Canada

Recettes	\$ 2 081 100	\$ 2 454 501	2 322 459	132 042	8 680	2 610	Autres revenus
Dépenses	2 138 401	2 322 459	132 042	8 680	2 610	140 722	Revenu d'exploitation (perre)
Charges financières	16 483	120 809	8 149	128 958	113 425	11 764	Revenu (perre) avant intérêts de la dette
Bénéfices nets (perre) de l'exercice	(168 116)	11 764	11 764	—	—	151 748	Subvention — Loi sur les chemins de fer — traitée comme redressement au titre de l'exercice précédant depuis l'adoption des versements sur base courante.
Surplus (déficit)	\$ (16 368)	\$ 11 764	\$ 11 764	—	—	151 748	

Exercice clos le 31 décembre
1976 1975
(en milliers)

Bénéfices et surplus consolidés

Reseau des Chemins de fer Nationaux du Canada

Le 25 février 1977.

S. D. H. Thomas,

Le contrôleur général,

Bilan consolidé		Résultat des Chemins de fer Nationaux du Canada	
ACTIF	Encaisse	Debiteurs	Fournitures et approvisionnements
Actif à court terme	\$ 12 062	\$ 23 306	236 664
274 136	216 326	184 818	97 558
589 524	87 000	274 136	236 664
449 744	14 708	274 136	184 818
387 526	3 312 362	216 326	184 818
5 023	4 146	4 146	542 346
59 350	37 506	23 050	22 129
32 198	64 702	69 350	214 195
22 164	\$ 119 500	\$ 119 500	127 520
PASSIF	Emprunts bancaires et autres exigibles	Créditaires	Provision pour assurances
221 617	150 767	150 767	13 572
60 621	52 001	52 001	554 980
13 572	14 708	14 708	13 572
83 911	91 323	91 323	83 911
2 071 124	2 238 381	2 238 381	2 071 124
AVOIR DE	Autres éléments de passif et crédits différences	Dette à long terme	Capital-actions détenus par le public
6 000 000 d'actions sans valeur nominale de la Compagnie des Chemins de fer Nationaux du Canada	6 000 000 d'actions sans valeur nominale de la Compagnie des Chemins de fer Nationaux du Canada	6 000 000 d'actions sans valeur nominale de la Compagnie des Chemins de fer Nationaux du Canada	6 000 000 d'actions détenues par les filiales
L'ACTIONNNAIRE	Canada	Chemins de fer Nationaux du Canada	Actions privilégiées 4% de la Compagnie des Chemins de fer Nationaux du Canada
1 436 246	1 504 478	1 504 478	1 436 246
428 397	428 397	428 397	428 397
359 963	359 963	359 963	359 963
1 436 246	1 436 246	1 436 246	1 436 246
4 345	4 345	4 345	4 345

Groupe des Chemins de fer Nationaux du Canada dont les comptes sont consolidés aux états financiers au 31 décembre 1976

Compagnies consolidées

Le CN telle qu'il est

Qu'une société de la Couronne comme le CN devrait se préoccuper de responsabilités sociales plutôt que de profits. Le CN ferait cependant preuve d'irresponsabilité sociale s'il s'occupait de donner des services sans égard à leur rentabilité économique, et lassait au contribuable le soin de porter un fardeau plus lourd. La direction du CN ne doit pas avoir à décider des programmes de subсидies à l'intention de certaines régions, de certaines mar- chandises ou de services déficitaires; c'est des décisions relevées des élus du peu- ple. Le CN devrait s'occuper d'exploi- ter les deniers publics suivant un programme comportant des stimulants à même les déficitaires séraient combles contre, les pertes encourues par les services défricheraient ses services; par effet d'économie, le programme devrait être efficacement mis en œuvre.

Dans le climat économique et politique
d'aujourd'hui, le rôle du CN en tant
qu'entreprise visant à réaliser des pro-
jets très bien ne pas exclure ses
espousabilités de service public. Le
succès commercial du CN démontre
que l'entreprise peut fournir, complète-
ment à temps à autre ses tarifs.

Dès contraintes à enlever
Plurielus problèmes relevait de la
fourniture de services non rentables de-
vraient être régis d'ici un ou deux ans.
La commission Shaverly a déjà fait ses
recommandations quant aux coûts du
transport des céréales par rail. Des sub-
sidies du gouvernement pourraient libé-
rer le CN des contraintes actuelles.

La commission Hall sur les embran-
gements devrait publier son rapport
immediatement. Ses recommandations
résulteraien, espérons, en la rationna-
lisatior du réseau ferre dans l'Ouest du
Canada.

Une commission devant enquêter sur
tous les aspects du transport à Terre-
Neuve pourrait fourrir des recomman-
dations sur la solution à long terme des
problèmes de transport.

Le Canadien National sera en mesure de mieux servir les intérêts de ses actionnaires — tous les Canadiens — si on fait la distinction qui s'impose entre les services dont on prevoit la rentabilité et les services qu'on doit exploiter sans but lucratif, conformément à une politique nationale. C'est l'attitude qu'adopterait la direction du CN au cours des années à venir.

Au terme d'une première année fructueuse en 20 ans, l'entreprise espère pouvoir continuer d'améliorer son rendement financier. Ses efforts dans cette voie seront encouragés par la reconnaissance et la compensation des pertes encourues par les services maintenus dans l'intérêt public.



Les Relations publiques et la publicité
du CN ont également déployé beau-
tinement contribué à attirer plus de
voyageurs dans les trains.

Un autre exemple concrèt de l'apport
de la direction générale à l'ensemble
du Réseau est la publicité de prestige.
Chaque semaine, des millions de télés-
pectateurs peuvent voir la publicité de
l'entreprise : "CN, des solutions logiques".
Ces messages font partie d'une campa-
gne ayant pour but d'expliquer aux
clients actuels et futurs les services
offerts par CN Rail.

Cette importance se manifeste sous la
forme d'assistance se manifester sous la
tête, Secrétaire général, Police du
CN, Service médical, Services admis-
tiers, Secrétaire général, Police du
CN, Services suiviants : Conten-
tueux, Recherche en prix de revient et
travaux, Etudes économiques, Relations publi-
ques et publicité, Bureau du Contre-
ôle depuis 1976 la traction, le trafic
aux dirigeants de CN Rail de contrôler
de traitement de données permettant
de CN Rail. Le TRACS est un système
Services administratifs pour le compte
Utilisation du TRACS, exploitée par les
autres partis qui se traduit entre autres
grâce à l'application de nouvelles méthodes
en temps réel les mouvements et de
faire face à l'imprévu. Le système con-
siste à faire rouler sur route les trains voya-
geurs.

W.D. Pigott
Coordinateur de la reorganisation
Vice-président, Affaires générales,

La direction générale joue des rôles
d'état à l'échelle des six divisions des
six centres de profit.
La reorganisation en divisions des
six divisions du Réseau ont accompagné
à l'entendue du Réseau à plusieurs
à multiples divisions. Des changements
dans les principales directions. Des institutio-
n 1976 a été la première année du Canada
dien National en qualité d'institution
à plusieurs directions. Des changements
à plusieurs directions. Des institutio-

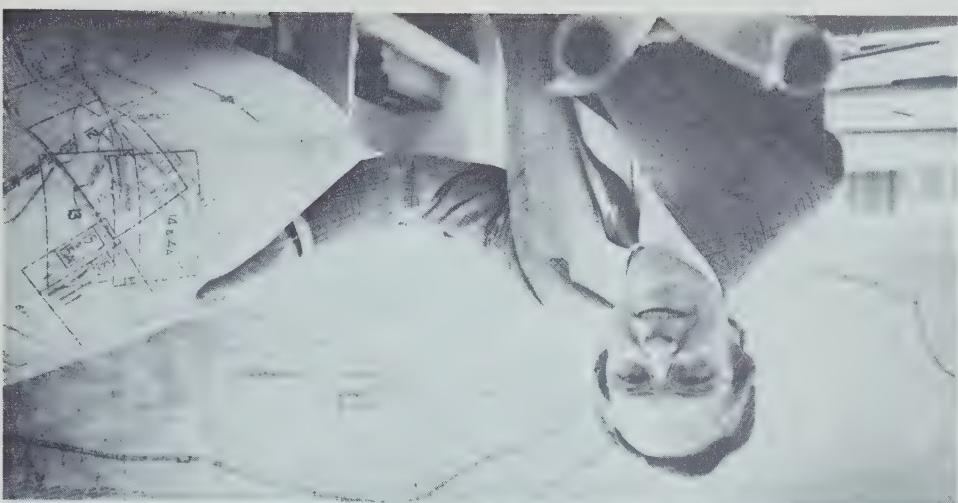


J.H. Spiller
Vice-président, Affaires générales

La direction générale fournit aussi un
comptabilité des résultats d'ensemble.
tion et les politiques financières, et la
et les services juridiques, la planifica-
agences de surveillance, le contentieux
gantismes gouvernementaux et aux
ion de mémoires et de dossier aux or-
sur les questions du réseau, la prépara-
communication avec le gouvernement
social est chargé des tâches telles la
page. A ce titre, le personnel du siège
même coup toute l'activité de la Com-
néraux du CN et de coordonner du
d'établir les politiques et objectifs ge-
deux rôles principaux. Le premier est
La direction générale joue des rôles
centres de profit.

1976 a été la première année du Canada
dien National en qualité d'institution
à plusieurs directions. Des institutio-

Nouveau rôle de la direction générale



CANAC:bénéfices + prestige du CN

me la Banque mondiale, et d'organismes d'aide, telle L'Agence canadienne de développement international. Elle a fait un travail de base consisté- rable, en 1976, pour le développement rural, en 1976, pour le développement des marchés, notamment un programme pour le consortium canadien, CANAVEN Limitee, devant être soutenu par le gouvernement du Venezuela.

CANAC a envoyé des missions dans plusieurs pays. Les contacts et discussions préliminaires de projets portent sur les problèmes d'administration et de consultation ayant une très bonne réputation à l'échelle internationale, CANAC en tant que de nouveau succès tant pour le Canada que pour le Chili.

La méthode de travail de CANAC consiste à vendre les connaissances techniques du CN et d'Air Canada par Internet. CANAC a également participé à la mise en marché et en administration de sites Web pour les compagnies aériennes. CANAC a également mis en place une application de gestion de la chaîne d'approvisionnement pour les compagnies aériennes. CANAC a également mis en place une application de gestion de la chaîne d'approvisionnement pour les compagnies aériennes.

A Montréal, le CN cède une trentaine d'acres du centre-ville, emplacement des installations de messageries Bonaventure, et relocalise ces services sur un emplacement de 32 acres à Lachine; la gare aura 225 000 pieds carrés. La nouvelle gare de messageries du CN sera le cœur d'un vaste réseau routier d'une grande efficacité qui desservira tous les clients du CN dans les provinces de Québec et d'Ontario. Le dément de Montréal en vue de la construction d'une entente concrue avec la ville de Montréal des installations fait suite à l'agreement des modifications faites au contrat de la gare actuelle.

Le régime au centre-ville de Winnipeg, au cœur du quartier d'affaires, au centre-ville de Saint-Boniface, à l'ouest de la ville de Winnipeg, et dans les villages ruraux de la périphérie.

La Compagnie a continué de réaliser de bonnes affaires dans son secteur de l'immobilier en 1976. Le revenu a été de \$6.4 millions, soit 28% de plus qu'en 1975.

Un bénéfice aux immobiliers

Les services de CANAC comprennent : l'administration, les études des marchés et de l'économie ; l'exploration, la supervision du travail et des travaux de construction ; les études opérationnelles et administratives ; la formation et le développement administratif et technique ; les études intermodales ; l'évaluation du matériel roulant.

Le Canadian National a été créé en 1968. La Division de consultation intermédiaire dans le but de coordonner son engagement croissant dans ce domaine. En 1971, la division s'associe à Air Canada pour offrir des services à travers le monde entier dans toutes les sphères du transport. C'est à la naissance de CANAC Consultants Limited.

Mais les réalisations de CANAC sont plus qu'un succès financier. On ne peut résulter de la présence d'experts canadiens en terre étrangère; témoin la participation de CANAC à 20 programmes dans 15 pays en 1976. De façon concrète, les spécialistes canadiens en matière de transport ont fait face à des défis dans un milieu complètement différent; ils n'auraient pu trouver tel enrichissement dans leur situation habituelle. Alors qu'environ 300 spécialistes de CANAC et leurs familles étaient d'autres pays à même de venir au Canada accueillir quelque 20 personnes de pays en voie de développement venues au Canada accroître leurs connaissances. Ces dernières ont régulièrement venu au Canada développer leurs compétences au Canada.

CANAC Consultants Limited profite au Canadian National de plusieurs façons. Les revenus de cette filiale à part entière du CN, exploitée conjointement avec Air Canada, ont été de \$0,8 million en 1976, il s'agit sans doute d'un chiffre annuel consécutif de croissance.

CANAC: bénéfices + prestige du CN

A mesure que la croissance continue, la division amicale avoit besoin de \$210 millions pour l'expansion d'Installa-tions terminales et pour l'acquisition de nouveaux natiues, soit pour en rempla-cer d'autres ou pour offrir des services plus rapides aux passagers, au cours des cinq prochaines années.

Malgare une basee du trache sur les liaisons des traversiers et des navires cötiers, le volume de travail aux installations de calé secde de la division est demeuré en 1976 au même niveau que l'année précédente. Le chantier maritime a également connu une croissance importante pour répondre à la demande et donner la souplese nécessaire à une expansion. Il faudra agrandir certaines installations de services à d'autres compagnies. Il existe une demande croissante de services techniques et de maintenance pour les navires de pêche et de transport.

Exploitation

CN Marine	Tableau synoptique	Recettes	Subvention du gouvernement	Revenu total	Dépenses totales
1975	1976	\$ 16.7 \$ 16.1	\$ 16.7 \$ 16.1 (en millions)	95.1 85.9 102.6 111.2 111.2 102.6 85.9 95.1	\$ 111.2 \$ 102.6 \$ 111.2 \$ 102.6 \$ 111.2 \$ 111.2

Les dépenses de la direction sont plus élevées que celles de la direction des systèmes de contrôle, mais elles sont moins élevées que celles de la direction des opérations et de la direction financière. La direction des opérations et la direction financière ont des dépenses de direction plus élevées que la direction des systèmes de contrôle.

1976 une entreprise commerciale à la plupart des services, particulièrement sur les côtes de Terre-Neuve et du Labrador. Le 1er septembre, la division a assumé la responsabilité du service entre Saint-Jean (N.-B.), et Digby, succédant au Canadien Pacifique. Le service d'hiver entre Yamouth et Port-Land (Maine) a été inauguré le 28 novembre.

CN Maritime est devenue en 1976 une entreprise commerciale à la plupart des services, particulièrement sur les côtes de Terre-Neuve et du Labrador. Le 1er septembre, la division a assumé la responsabilité du service entre Saint-Jean (N.-B.), et Digby, succédant au Canadien Pacifique. Le service d'hiver entre Yamouth et Port-Land (Maine) a été inauguré le 28 novembre.

Maritime, afin de faire une unité résponsable de ses immobilisations et de posséder des navires ou distillations aux fins de l'exploitation des services côtiers et de traversiers de Terre-

Nevue, des traversiers de l'Ile-du-Prince-Édouard et des autres services maritimes de la côte est.

Une main fermé à la barre

Vice-président, CN Marine



à la barre une main fermé

CN Marine

La Tour CN a régu son millionième visiteur le 30 décembre 1976, un peu plus de six mois après son ouverture au public. Cet immeuble de 1815 pieds cubes de volume a été édifié pour les besoins d'observation, la tour comporte 400 places exploitées par les hôtels du CN, des boutiques et d'autres centres d'information. Le revenu dégagé par l'exploitation a été de \$1,3 million et devrait s'améliorer en 1977, première année complète d'exploitation.

La Tour inaugure

*Géorge Lach
vice-président,
services voyagereurs et hôtels*



Hotels Côte d'Azur

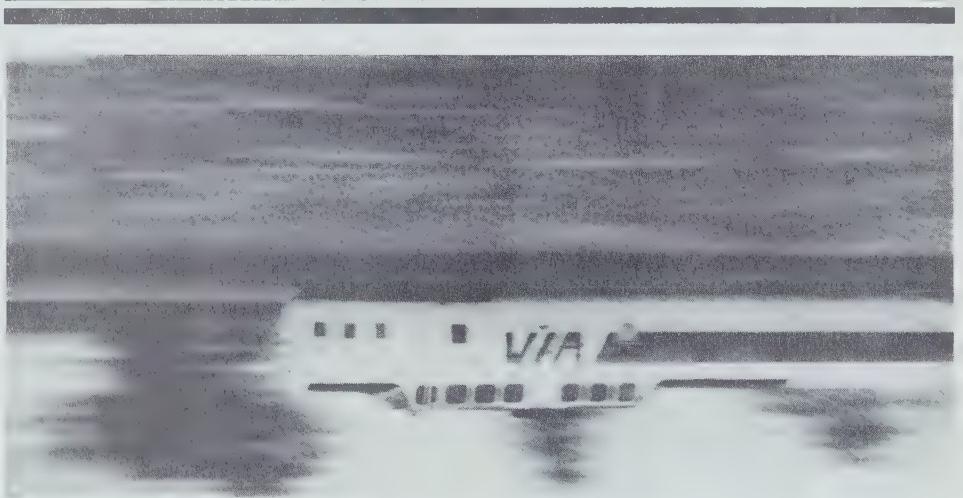
Aucun des hôtels administrés par Hilton (Canada) Limitee n'a connu de succès anticipé. Hilton a versé \$0,5 million en profits au CN, une forte diminution sur 1975. Des hôtels dirigés par Hilton, l'hôtel Vancouver a enregistré une perte d'environ \$0,7 million, l'hôtel Reine Elizabeth des restaurants et bars de la Place Ville-Marie à Montréal ont réalisée un bénéfice réduit de \$1,2 million.

Les Hôtels du CN avaient prévu une dégâche croissance en 1976, surtout au chapitre des congrès, ainsi qu'une amélioration importante au Jasper Lodge et des bénéfices substantiels provenant de la Tour CN. Seul le restaurant de la Tour CN, repêché centre ville à l'origine, a atteint et même dépassé son objectif financier.

Le monde de l'hôtellerie en général traverse une mauvaise période, et les hôtels du CN, pour leur part, ont connu une perte, avançant l'heuret sur les immobilisations, de \$0.1 million, au regard d'un profit de \$3.6 millions en 1975. Plusieurs facteurs sont à blâmer, dont une baisse de la demande en services d'hôtellerie, une forte concurrence dans les villes où le CN exploite des hôtels, un nombre restreint de visiteurs américains et de congrès, et l'inauguration, en retard, des restaurations.

Les Hôtels du CN compétent un peu moins de 4 000 chambres au Canada, et il élit fallu en louer un plus grand nombre plus souvent en 1976 pour réaliser un profit.

Hôtels Une année mauvaise



La création de la nouvelle société charter débarquera à la gare de CN du far-soulaqueur à la longue le 1er juillet (20%) des pertes du service voyageurs (20%) des pertes du service de même continue de coopérer à La Gare nationalisée du réseau voyageur de province, en présentant par exemple des mémoires à la Commission canadienne des transports sur les services de transport dans deux cas soit attendus soit pen.

dpires féroviaires exploitent les trains au nom de cette société, moyennant compensation.

Third dans l'année, CP Rail a profité de l'embalme VIA, par la publication d'un imdicateur commun CN-CP. Les deux chemins de fer ont réalisé des progrès dans la mise au point d'une formule de gestion unique. Cette fois-ci, la réglette avec la formation de VIA, la société responsable de la gestion a été remplacée par une association de services voyageurs. Les entraîneurs des services voyageurs.

Parmi les changements, l'un des plus visibles a été l'adoption du nouveau symbole VIA bleu et or pour les trains voyageurs. L'innovation, accompagnée de nouveaux tarifs, a été bien reçue du public. Il appert que le voyageur revient petit à petit vers le train.

D'importantes choses se sont produites dans le secteur voyagégiere et touristique au Canada en 1976. Avec la création de VIA — une agence mise sur pied par Transports Canada en vue de gérer et de commercialiser les services voyagégiers au Canada — les principales entreprises ferroviaires et Transports Canada ont entrepris des études sur les nouveaux trains rapides. Le plan d'un train de voyageurs tout nouveau a été présenté à ses usagers. Le CN appuie par contre ses ventes. Le CN a également développé une nouvelle méthode d'exploiter les trains voyageurs.

Les recettes voyagEURS en 1976, une hausse de 5,9% sur 1975. Les dépenses ont atteint \$284,1 millions, soit 8,6% de plus que l'année précédente. Les subventions pour les pertes ont atteint \$156,4 millions, le CN absorbant une partie de \$50,6 millions. Le volume d'affaires a connu une forte hausse dans le corridor Québec-Windsor, pour compenser une baisse générale du nombre de voyagEURS sur les longues distances.

La hausse générale du nombre de voyagEURS sur les longues distances a également entraîné une hausse générale du nombre de voyageurs dans le corridor Québec-Windsor, pour corriger une baisse générale du nombre de voyageurs sur les longues distances.

VoyagEURS taxes a été de 8,3%.

Recettes	commerciales	Dépenses	Revenu
1975	1976	\$ 77.1	\$ 72.8
(en millions)		284.1	261.7
		\$ (207.0)	\$ (188.9)
		156.4	118.0
		\$ (50.6)	\$ (70.9)
			Revenu (perre)
			Gouvernement
			Subventions du
			d'exploitation
			(perre)
			Revenu

Services voyagieurs CN
Tableau synoptique

La responsabilité et l'émancipation de sa gestion d'ensemble. Cette division pourvoit le Canada de services voyageurs interurbains d'un océan à l'autre et de services d'autocars à Terre-Neuve. CN Rail exploite les trains pour le compte des services voyageurs.

Des changements aux services voyageurs

Côte exploitation, on continuera de réduire les dépenses et d'accroître la productivité. Les services déficitaires seeront éliminés ou diminués. La ten-
dancem vers leexploitation routière et sur wagons plats devrait rapporter en ma-
térie de productivité. Les projets de geduction du nombre d'installations terminales se réalisent par le biais de da consolidation et d'une utilisation améliorée du matériel.

Revenu (perte)	\$ (39.0)
Expenses	\$ (35.0)
Revenues	\$ 18.9
Expenses	\$ 18.7
Net Income	\$ 150.4
(en millions)	
1975	1976

partie des marchés de haute densité, de réaliser l'utilisation maximale des capacités et de se retrier des secteurs monrentables qui offrent aucun intérêt de le développer.

Les Messageries CN ont entrepris un programme de marketing sélectif, afin d'éliminer la perte et de capturer une

Rôle concurrence L'activité réduite à entraîne une forte concurrence. Certaines hausses de tarifs entraînent en effet un déclin des ventes. Cela passe aussi par la baisse du volume, malgré l'augmentation de

L'activité économique relente en 1976 à cause une baisse du nombre et de l'importance des expéditions et la division a connu une perte de \$35 millions, avant l'impôt sur la dette.

Les résultats à meilleure de \$4.3 millions celle de 1975. La division a tout de même accusé considérablement son effet- cactile: elle a absorbé les dépenses accrues de la main-d'œuvre et du maté-riel, et ses dépenses ont été largement moins élevées qu'en 1975.

Les messageries CN ont été constituées en centre de profit en 1976. L'eur ob-jectif primordial est de pourvoir le Canada en services commerciaux de transport des envois fractionnés, do-mestiques, vers l'étranger et par avion, dans ce dernier cas avec la collabora-tion d'Air Canada. Ces services sont offerts à des gares primaires et secondaires routes régionales à travers le Canada et utilisant un réseau complètement intégré route/rail. A cette fin, on loue aussi des services ferroviaires de CN Rail, à des tarifs publiés. Un deuxième objectif est la fourniture de services terminaux, routes et dépendances du CN.

Canihue aux autres divisions du CN, à des tarifs concurrentiels.

Traffic réduit, revenu accru aux Messageries

Le camionnage, un profit moins élevé

Le camionnage a réalisé un revenu d'exploitation en 1976, mais le bénéfice a été moins élevé qu'en 1975.

La division de camionnage régrroupe 13 filiales représentant 3,6% de toute l'industrie du transport par camion au Canada. Elle compte 2 000 employés et un parc de 3 500 pièces de matériel en service marchandises à l'échelle du pays. Certaines de ses filiales traitent aussi les marchandises en conteneurs et en VRAC.

écart étrangement lié à l'activité écono-
mique générale du pays qui a souffert
d'un ralentissement. Le bénéfice d'ex-
ploitation de \$1 million a basse des
\$3,9 millions qu'il avait été en 1975.
Le prix accru du carburant et les sa-
laires sujets à des conventions signées
avant l'adoption des directives anti-
inflation ont fait grimper les dépenses.
Les tarifs accrus n'ont pas suffi à re-
couvrir toutes ces dépenses. Une
baisse de \$2,1 millions des autres re-
cettes est principalement le résultat de

Camionnage CN
Tableau synoptique

Revenue	\$ 1.6
Autres	0.6
Revenue d'exploitation	1.0
Dépenses	72.6
Recettes	\$73.6
(en millions)	\$68.9
1975	1976

La division n'a pu atteindre ses objectifs financiers en 1976, son rendement n'a pas été satisfaisant.

Les projets d'avenir sont axes sur la productivité, le contrôle strict des dépenses et l'élimination des services du matériel non rentables. En même temps, on espère que le climat d'affaires améliorera sa meilleure période la division courre s'améliorer par suite de l'examen, par les autorités compétentes, des lois fédérales et provinciales de camionnage. Un climat plus unitaire et meilleur devrait résulter des études en cours auxquelles participent les deux industries du camionnage et de la construction.

Durant l'année, les TCN se sont joints aux TCP et à la Société AGRA Industries Ltd. en vue de former un consortium qui fournit un signal à l'écran tout comme le milieu juridique dans lequel il fonctionne. Le Conseil de la radiodiffusion et des telecommunications canadiennes a repris la réglementation des télécommunications de la Commission canadienne des transports. Le CRTC se propose de tenir des audiences dans le but de prendre en considération les changements des méthodes de réglementation. En attendant, le ministre des Communications a dévoilé au cours de l'année une nouvelle politique nationale de télécommunications qui, on espère, établira des règles équitables de concurrence pour fournir des services de traitement de données.

On s'attend à ce que la politique soit utilisée pour favoriser l'innovation, qui, on espère, établira des règles équitables de concurrence pour fournir des services de traitement de données.

Nouvel orga nisme directeur

Le exploitant des TCN a changé en 1976, tout comme le milieu juridique dans lequel il fonctionne. Le Conseil de la radiodiffusion et des telecommunications canadiennes a repris la réglementation des télécommunications de la Commission canadienne des transports. Le CRTC se propose de tenir des audiences dans le but de prendre en considération les changements des méthodes de réglementation. En attendant, le ministre des Communications a dévoilé au cours de l'année une nouvelle politique nationale de télécommunications qui, on espère, établira des règles équitables de concurrence pour favoriser l'innovation, qui, on espère, établira des règles équitables de concurrence pour fournir des services de traitement de données.

En ce qui a trait au traitement des données, le CNC a offert une nouvelle série de terminaux, y compris des installations terminales au logiciel connaît le rôle qui recueillera les données.



Changements rapides dans le futur de l'industrie des communications, semble courant de communiquer, au moyen de télégramme qui était un moyen de communication, semble être aussi radicallement, par exemple, le changement qui a été fait dans le secteur industriel ne change si rapide autre industrie que les communications. Aucune partie des communications, Canada à l'avant-garde dans le développement de concurrents en matière de services et figure auprès de ses associés fait bonne réputation. La division leur vaste champ d'action. La division catégories du CN dans tous les aspects de l'industrie pour les telecommunications du programme pour les telecommunications. Malgré cette situation, l'année en fut une de progrès pour les telecommunications. Les changements rapides dans l'industrie des communications, semble être aussi radicallement, par exemple, le changement qui a été fait dans le secteur industriel ne change si rapide autre industrie que les communications. Aucune partie des communications, Canada à l'avant-garde dans le développement de concurrents en matière de services et figure auprès de ses associés fait bonne réputation. La division leur vaste champ d'action. La division catégories du CN dans tous les aspects de l'industrie pour les telecommunications. Malgré cette situation, l'année en fut une de progrès pour les telecommunications.

Changements rapides

Les Télécommunications procurent des services de téléphone à Terre-Neuve et au Grand Nord canadien, en plus de tourner, en collaboration avec les Télécommunications du CP, de la Télégraphe et d'être un transporteur de données, elles procurent aussi des services de communications au CN. Le CNC obtient la plus grande part du marché pour concurrence des communications commerciales au Canada. Le marché des affaires et l'infatuation ont entraîné des résultats financiers plutôt décevants de l'année.

Télécommunications CN
Tableau synoptique

Le relentissement de l'économie entraîne la rentabilité des télécommunications du CN en 1976 au point de maintenir les recettes à un niveau de 111,8% inférieur à celles de l'année précédente.

des lieux essentiels

De bonnes affaires ont généralement été bonnes au chemin de fer Duluth, Winnipeg et Pacifique. Le volume de potasse et de bois de construction a dépassé les prévisions. Les recettes ont dépassé les prévisions de 13 %. Le DWP exploite 167 miles de voie entre Duluth, Minn., et la frontière canadienne, reliant les lignes canadiennes du CN dans l'Ouest avec le réseau américain du Midwest.

Ethipective — profit Tout comme au CN, la Société du Grand-Tronc tente d'accroître sa rentabilité en améliorant son efficacité. Les meilleures solutions de tarifs ne suffisent pas à compenser dans l'immédiat les difficultés salariales. Le plan quinquennal du rendement pour compenser la hausse des dépenses. Un volume accru des gains de productivité devrait être obtenu grâce aux cours des cinq prochaines années.

Efficacité — profit

De bonnes affaires ont généralement été bonnes au chemin de fer Duluth, Winnipeg et Pacifique. Le volume de potasse et de bois de construction a dépassé les prévisions. Les recettes ont dépassé les prévisions de 13 %. Le DWP exploite 167 milles de voie entre Duluth, Minn., et la frontière canadienne, reliant les lignes canadiennes du CN dans l'Ouest avec le réseau américain du Midwest.

Société du Grand-Troc Tableau synoptique

Revenue	\$ 3.5
Autres	2.3
Revenue d'exploitation	10.3
Dépenses	177.0
Récesses	\$187.3
(en millions)	\$145.9
1976	1975

Le revenu du Grand-Trou en 1976 a été de \$1.8 million de plus que prévu au budget, et les dépenses ont dépassé de 8% le montant prévu. Ces dépenses en courus en vue d'accroître le trafic et d'acquérir des propriétés out accrui les frais d'entretien et de main-d'œuvre. Elles peuvent être qualifiées de productives car elles donnent un rendement.

Des dépenses productives

La Société du Grand-Tronc, la filiale du Canadien National aux États-Unis, a réalisé un bénéfice de \$ 13.9 millions en 1976, malgré les conditions adverses du marché à travers son réseau. La Société du Grand-Tronc seau. La compagnie elle-même trois filiales: la Compagnie de Chemin de fer du Grand-Tronc (Ouest), le Chemin de fer du Vermont Central, Inc., et la Compa-gne ferroviaire Duluth, Winona et Pacifique.

Tout au cours de l'année, le Vermont central a effectué un contrôle strict des dépenses, et les économies réalisées dans l'exploitation ont réussi à combiner aux deux tiers environ les recettes générées par suite de la baisse du volume d'affaires.

Ensuite, le revenu de l'État de 381 millions suité dans les Etats de Nouvelle-Angleterre et le sud du Québec provient du papier journal et de l'agriculture. La longue grève des mouillins cause néanmoins une récession qui affecte le trafic maritain et le commerce extérieur. L'industrie manufacturière connaît une récession importante. Les industries extractives sont également touchées, mais l'agriculture résiste bien malgré les mauvaises conditions météorologiques. Le revenu de l'État de 381 millions suité dans les Etats de Nouvelle-Angleterre et le sud du Québec provient du papier journal et de l'agriculture. La longue grève des mouillins cause néanmoins une récession qui affecte le trafic maritain et le commerce extérieur. L'industrie manufacturière connaît une récession importante. Les industries extractives sont également touchées, mais l'agriculture résiste bien malgré les mauvaises conditions météorologiques.



President, Société du Grand-Tronc

*Detroit
President, Société*

tes non réalisées par suite de la baisse du volume d'affaires.

Forte amelioration aux E.-U.

Le fait de fixer des objectifs plus ambitieux que les objectifs actuels contribue à l'augmentation de la motivation et à la réduction des accidents et des maladies professionnelles.

Les subventions de \$60.7 millions du gouvernement ont dépassé de \$23.9 millions les \$36.8 millions reçus en 1975. Ce revenu de CN Rail représente un recouvrement de pertes encourues dans l'exploitation et le maintien d'embanchements, ainsi que des subven-tions pour le transport des céréales (Atlantique et Maritimes).

Le rendement financier améliore se retrouve dans le coefficient d'exploitation qui a diminué de 98.4 en 1975 à 90.9 en 1976. Ainsi, les recettes d'exploitation de 1976 sont élevées à \$1 731 millions, soit une amélioration de \$261.5 millions ou de 17.8% sur 1975.

Quelques dommages à la réputation de CN Rail sont améliorés à cause principalement de l'augmentation des recettes des wagons et de la réduction des recettes des intermodaux, et du contrôle des services intermodaux, et du contrôle des dépenses. Les recettes tonnes-milles ont augmenté de 4%, ce qui a profité un revenu additionnel d'environ \$60 millions. Les hausses de tarifs ont rapporté environ \$160 millions. L'augmentation de 1.8%, si on élimine les effets comparatifs à une hausse des dépenses de 1.8%, sur les salaires, le matériel et le carburant.



Charge brute par train

stabilités. Le rapport de la commission navale sur les coûts du transport des céréales, de même que le travail de la commission Hall sur les conditions du transport, laissent espérer une solution à ce problème de longue date.

Un autre objectif important de CN Rail consistera à recueillir une flotte complète de roulage pour assurer la desserte des services, comme le transport des céréales aux tarifs "Crownest", les services occasionnels des déficits sub-



Tableau synoptique

Revenue	Depenses
\$ 157.1	\$ 23.2
\$ 1 446.3	
\$1 573.9	
\$ 1 469.5	
\$1 731.0	
(en millions)	
1976	1975

La productivité accrue est aussi le résultat de la campagne entreprisée dans toute la division pour contrôler les dépenses. On a commencé l'efficacité chez les rouleurs, les sédentaires, à l'administration et dans les cadres. Les réductions dans ces deux dernières cas n'ont été qu'une poursuite du programme en- tame en 1975 en vue de diminuer les frais d'exploitation, tandis qu'en a tenté d'améliorer la productivité dans tous les secteurs de l'exploitation ferro- viaire.

Grand besoin d'efficacité

L'action de CN Rail en vue de réduire les dépenses doit tenir compte du besoin primaordial de continuer à exploi- ter le chemin de fer conformément aux normes les plus élevées du monde, ce qui est essentiel dans le climat actuel. La géographie du Canada. Par exemple, les déboursés d'entretien de la voie ont augmenté de 12% en 1976, en raison d'un programme à long terme d'amé- lioration des installations.

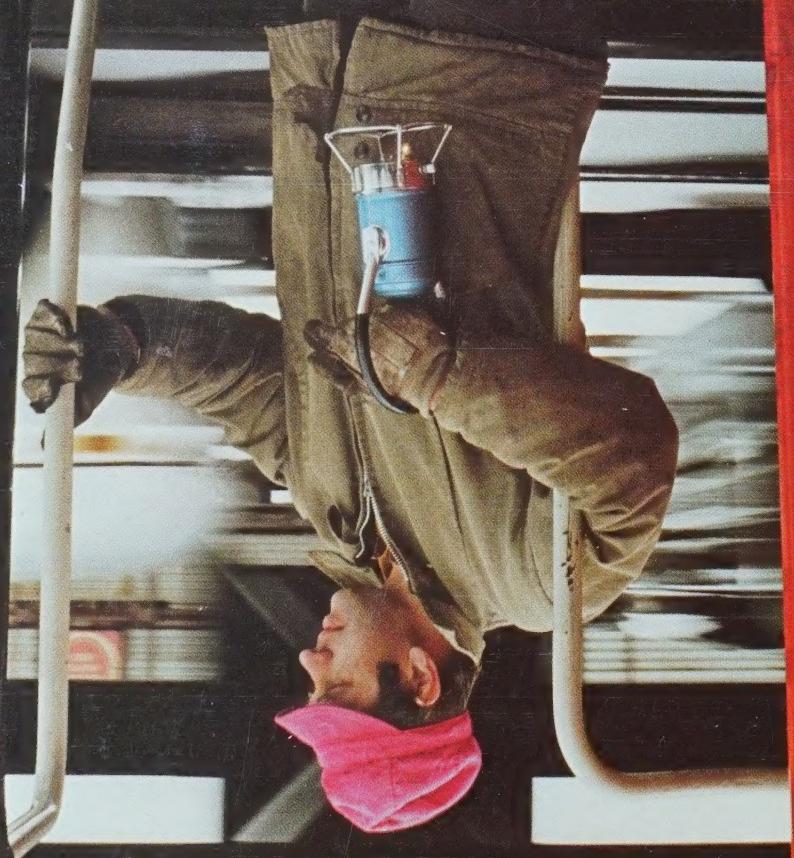
Il y a eu des majorations de tarifs au cours de l'année et les recettes tonnées/milles se sont accrues de 4 %. On attire aussi l'accroissement des revenus à la hausse de productivité. La charge brute par train», soit la pesanteur des marchandises transportées par chaque train, démarre une mesure excellente de la productivité ferroviaire. Selon cette formule, elle a été de 5,1 % supé- ture à 1975.

CN Rail, la division responsabilis de l'industrie marachandises du CN, a augmenté considérablement ses revenus en 1976, malgré la lenteur du redressement économiqüe au Canada. Le revenu a été de \$157,1 millions, au regard de \$23,2 millions en 1975. Le principal soutien de la division, les recettes des wagons-nœuds, n'a pas augmenté autant qu'on l'avait prévu.

Receptes et productivitat

on grimpe en fileche

une
bonne
année



Rapport
annuel
1976

NATIONALUX DU CANADA
CHEMINS DE FER